

MOMENTUM

BUILDING

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KINGSMEN CREATIVES LTD
ANNUAL REPORT 2018



BUILDING MOMENTUM

Pushing boundaries and seizing opportunities, we focus on transforming our business to remain relevant in a changing and competitive market environment. Anchored by our strong foundations, and driven by a committed and agile team, we will continue to take bold steps to ensure a sustainable future.

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VISION

Design-led, quality and service-driven

MISSION

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

To be an active global player and be
recognised 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



CHAIRMAN'S MESSAGE



Dear Shareholders,

Our business environment is bullish and we continue to see good demand for our services. 2018 was a transformational year for us as we moved into the next phase of our business with exciting initiatives and investments for future growth. We officially moved to The Kingsmen Experience, our new HQ, where the strategic core and innovation hub for the Group will reside. It is a centre for excellence, creativity and quality. More importantly, we continue to invest in building up our exceptional talent pool through various courses in the Kingsmen Academy.

As a step forward in building up our branded business portfolio, we have incorporated NAX Singapore; the operating company for the NERF attraction in Singapore and secured Marina Square as its location of operation. We also continue to focus on driving operational excellence in our core business areas, and have reorganised internal processes as part of cost optimisation and to increase efficiency across the Group. Geographically, we have expanded our global presence with new offices in Phnom Penh, Cambodia and also in Los Angeles, USA, bringing Kingsmen's presence to 21 cities around the world.

Financially, the above initiatives have resulted in additional costs to the Group and had an impact on our bottomline. We recorded a 17.5% increase in revenue to S\$360.9 million and a 16.3% decrease in net profit to S\$8.2 million in 2018.

Our Exhibitions & Thematic division grew 17.2% in 2018 to S\$160.3 million compared to S\$136.8 million in 2017, as several major events and projects

were completed in 2018. The division is seeing strong demand for its expertise as there is increasing market demand for experiential services, and several projects are already in the works.

As the retail landscape continuously reshapes, our Retail & Corporate Interiors division continues to pursue opportunities in new emerging segments such as coworking spaces and online brands looking for an offline presence while maintaining our current portfolio of more established markets of high-end retail luxury, corporate interiors and travel retail. The division recorded a revenue of S\$172.0 million in 2018, a 20.1% increase compared to S\$143.2 million in 2017. Amidst the slow recovery of the high-end retail luxury market, the division will seek out new sources of revenue.

Our Research & Design division continued to deliver steady growth, registering a revenue of S\$17.1 million in 2018, an increase of 10.3% compared to S\$15.5 million in 2017. In addition, our Alternative Marketing division recorded a revenue of S\$11.6 million in 2018, a decrease of 1.9% from S\$11.8 million in 2017. We will push for improved performance from the division by expanding our client reach and enhancing our service offerings.

Moving ahead, we target to see continuous growth in our core business areas and are excited about the new opportunities that are present in this experiential age. Our aim is to transform ourselves into a creator of experiences the world over. To that end, we will focus on three key areas: developing new business areas, leveraging and enhancing our core capabilities and

expanding our market presence. As we expand into experiential attractions, we will target 3 broad areas: active play, edutainment and live events. Finally, we will leverage on the capabilities that have been built and innovate to provide differentiated services that will be the catalyst to push us into the next stage of growth. As at 31 January 2019, we have secured contracts of S\$103 million, of which S\$87 million is expected to be recognised in 2019.

In line with the Group's policy of distributing its profits to loyal shareholders, the Board of Directors has proposed a final dividend of 1.5 cents per ordinary share. Combined with the interim dividend of 1.0 cent per ordinary share paid in September 2018, we would have paid out a total dividend of 2.5 cents per ordinary share for 2018.

In closing, I would like to extend my heartfelt appreciation to all members of Kingsmen for their contributions and commitment in delivering value for our clients and the Group. I would also like to thank the Board of Directors for their strong support and guidance throughout the year. Last but not least, I would like to express my sincere appreciation to our business associates, clients and shareholders for their steadfast support and belief in us.

We will continue to break new grounds as we focus on delivering long-term success, while ensuring that current needs are not compromised. We are committed to bring value for all our stakeholders and continue to excel and be at the forefront of our industry.

BENEDICT SOH
Chairman



BOARD OF DIRECTORS



Seated from left to right:
Simon Ong, Benedict Soh and Andrew Cheng

Standing from left to right:
Alex Wee, Anthony Chong, Prabhakaran N. Nair, Cynthia Tan and Sebastian Tan

BENEDICT SOH Chairman

Benedict Soh is dedicated to honing the Group's leadership capabilities and human capital, in addition to his role in charting the Group's strategic direction and exploring new business opportunities. One of two founders of the Group, he has contributed significantly to its growth and has over 40 years of experience in the design & production of interiors, exhibits and marketing communications. Mr. Soh has served IE Singapore, Spring Singapore and the Singapore Tourism Board (STB) for various initiatives to improve Singapore's international standing in Tourism & Exhibition Services. He is currently

a member of the board of Seeds Capital of Enterprise Singapore. In addition, he is also a member of Singapore Business Federation (SBF) Small and Medium-Sized Enterprises Committee (SMEC).

A strong proponent of education, Mr. Soh is the Chairman of the MDIS School of Tourism & Hospitality Industrial Advisory Board and a member of its academic board. He is also a member of SHATEC's Academic & Examination Advisory Council. In 2014, US-based Exhibit Designers & Producers Association (EDPA) conferred the prestigious Hazel Hays Award in recognition of Mr. Soh's outstanding contributions to the trade show

industry, in addition to the Lifetime Achievement for Outstanding Contribution to Tourism accorded by STB in 2012. He was the former President of the Rotary Club of Pandan Valley and holds a Master of Business Administration from the University of Hull in the UK.

SIMON ONG Deputy Chairman

Simon Ong oversees the strategic planning and development of the Group as well as its creative and brand standards. He is one of the Group's two founders and has contributed significantly to its growth. He is a member of the advisory board to the Design Business Chamber of Singapore

and Singapore Furniture Industries Council (Design). Mr. Ong served as Chairman of the design cluster in the Manpower, Skills & Training Council of WDA, President of the Interior Designers Association (Singapore), an IDP member of the Design Singapore Council and a board member of the Association of Retail Environments/SHOP!(USA).

An ardent advocate of education, Mr. Ong currently serves as a board director of Nanyang Academy of Fine Arts (NAFA), a member of the Advisory Board to the School of Design & Environment at the National University of Singapore (NUS) and a member of Design Education Review Committee, Singapore (DERC). He was the former Chairman of the School Advisory Board of Cedar Girls Secondary School, and once served as a member of the Advisory Board of Temasek Polytechnic School of Design. Mr. Ong also served as Vice-Chairman of the Potong Pasir CC Management Committee. He was awarded a Master of Business Administration from the University of South Australia and a Master in Design from the University of New South Wales, Australia.

ANDREW CHENG
Group Chief Executive Officer

Andrew Cheng oversees the Group's day-to-day management, as well as its corporate affairs, business development and strategic planning functions. He has more than 25 years of experience in marketing, sales management, consulting, business development and investor relations. He was the former Honorary Secretary and a Committee Member of the Securities Investors Association (Singapore) and currently serves on the association's Remuneration Sub-Committee. He is also a member of the Dover Park Hospice Communications & Outreach Committee. Andrew has a Bachelor of Economics degree from the University of Tasmania, Australia.

ANTHONY CHONG
Group Managing Director,
Exhibitions & Thematic

Anthony Chong drives the strategic management and day-to-day operations of the Group's Theme Parks, Museums, Exhibitions and Events businesses. He has more than 35 years of experience in marketing and the fulfilment of different disciplines that encompass world-class attractions, tradeshow, retail interiors and large-scale sporting & corporate events. He currently serves as a member of the School Advisory Council in Cedar Girls Secondary School. Anthony holds a Master of Business Administration from Victoria University of Technology, Australia.

ALEX WEE
Group Managing Director,
Retail & Corporate Interiors

Alex Wee has more than 25 years of experience in the fulfilment of retail & corporate interior fit-outs, custom fixture manufacturing, and general contracting. He is responsible for the strategic management and day-to-day operations of the Group's Retail & Corporate Interiors business. Alex has a Bachelor of Construction Management (Honours) from University of Newcastle, Australia, and a Master of Science in Marketing & Consumer Insight from Nanyang Technological University, Singapore.

SEBASTIAN TAN
Independent Director

Sebastian Tan was appointed Independent Director of the Company in April 2013. In May 2000, he co-founded Boardroom Limited, a company listed on the Singapore Exchange (SGX-ST). He was the Managing/Finance Director of Boardroom Limited from May 2000 to March 2013. Having retired from Boardroom Limited, he continues to be an Advisor. Prior to May 2000, he was with Ernst & Young Singapore and its affiliates since September 1973. Mr. Tan is currently an Independent Non-Executive Chairman of Jumbo Group Limited and Vibrant Group Ltd and an Independent Director

of Ezra Holdings Limited and Wilton Resources Corporation Ltd. He is also a Trustee of Kwan Im Thong Hood Cho Temple and a director of D S Lee Foundation and EtonHouse Community Fund Ltd. He is a qualified financial professional from the Association of Chartered Certified Accountants (UK). He was awarded the Public Service Medal in 1996.

PRABHAKARAN N. NAIR
Independent Director

Prabhakaran N. Nair was appointed Independent Director of the Company in August 2003. He began practicing law in 1974 and is an Advocate and Solicitor of Singapore. Mr. Nair is currently a partner of law firm, Messrs Derrick Wong & Lim BC LLP. He obtained a degree in law from the University of Singapore and is a litigation lawyer specialising in Commercial Litigation, Arbitration and Estates and Trusts matters.

CYNTHIA TAN
Independent Director

Cynthia Tan was appointed Independent Director of the Company in November 2016. She retired from OCBC in 2015 after 16 years as the Head of Group Human Resources. Prior to her role in OCBC, she headed the HR functions in LVMH DFS and Apple Computer. She was a former lecturer at Ngee Ann Polytechnic's School of Business & Accountancy before joining the private sector. Cynthia is currently a member of the Executive Committee of the Dyslexia Association of Singapore and a Patron for the Youth Council. She is also a member of the Advisory Board at the Singapore Human Resources Institute and a Board member of the YMCA Singapore. She is a trained Executive Coach from Columbia University and certified Diversity Practitioner from Cornell University. Cynthia obtained her Diploma in Personnel Management from the University of Cardiff, UK and Master of Business Administration from the University of Hull, UK.

SENIOR MANAGEMENT



KREZ PEOK
Managing Director



GERALD TAY
Executive Director /
Creative Director



ROY ONG
Executive Director /
Creative Director



ALIX LIM
Managing Director



KEVIN CHEON
General Director



FRANCIS CHANG
Managing Director



EDMUND TAN
Financial Controller

KREZ PEOK
Managing Director

Krez Peok is the Managing Director of the Group's Greater China operations. He has over 30 years of practical experience in museums, visitor centres, interiors, exhibitions & events, and is responsible for the overall management of all six Greater China offices – Beijing, Hong Kong, Macao, Shanghai, Shenzhen and Taipei.

GERALD TAY
Executive Director /
Creative Director

Gerald Tay is the Executive Director and Creative Director of Kingsmen Design Pte Ltd. Apart from looking after its daily operations, he also provides creative direction and ensures that design specifications are met up till the realisation of the project. Gerald is a member of the Interior Design Confederation (Singapore). He received the Industrial Technician Certificate in Interior Design from the Vocation and Industrial Training Board in Singapore.

ROY ONG
Executive Director /
Creative Director

Roy Ong is the Executive Director and Creative Director of Kingsmen Design Pte Ltd. He is responsible for charting the creative direction and developing its design capabilities, ensuring that all designs meet the aesthetic, functional and budgetary requirements of clients. Roy is a member of the Interior Design Confederation (Singapore). He received a Master of Design from the University of New South Wales, Australia.

ALIX LIM
Managing Director

Alix Lim is the Managing Director of Kingsmen Malaysia. He has over 24 years of experience in the interiors and exhibitions business, and is responsible for the overall management including sales & marketing, operations and finance. He currently holds a Master of Arts in International Business from the York St John University, UK.

KEVIN CHEON
General Director

Kevin Cheon is the General Director of Kingsmen Vietnam Company Limited. He is responsible for the day-day operations, sales, marketing and management of our Vietnam offices. With more than 14 years of experience in operations and project management of exhibitions, events and retail interiors, Kevin oversees the strategic development of the business. He holds a Diploma in Management Studies from the Singapore Institute of Management.

FRANCIS CHANG
Managing Director

Francis Chang is the Managing Director of PT Kingsmen Indonesia. He oversees the daily operations of our Indonesia office from design and project management to fabrication. Francis has more than 25 years of experience in interiors, exhibitions and events and six years in architectural construction and management.

EDMUND TAN
Financial Controller

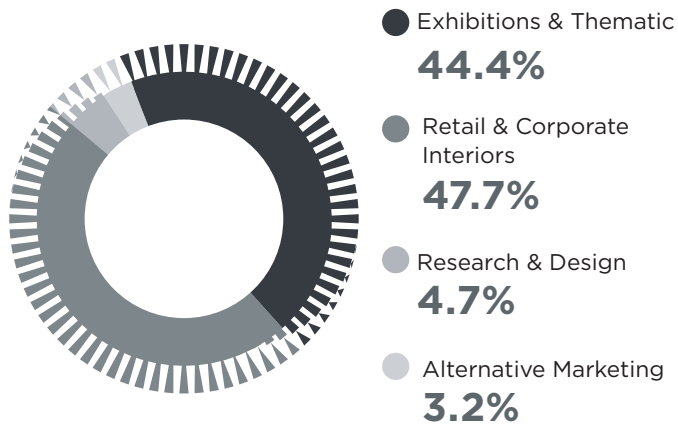
Edmund Tan is our Financial Controller. He is in charge of the Company's financial and accounting functions in Singapore and responsible for overseeing the financial reporting and accounting functions relating to the Group. Edmund has more than 20 years of experience in the areas of accounting, finance and auditing. He holds a Diploma in Business with Merit (majoring in Accounting and Finance) from Temasek Polytechnic. He is a member of The Association of Chartered Certified Accountants and Institute of Singapore Chartered Accountants.



FINANCIAL HIGHLIGHTS

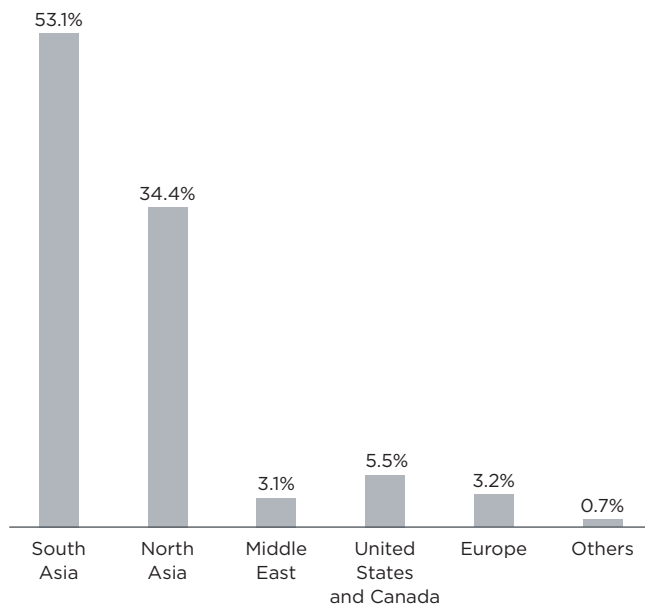
	FY2014	FY2015	FY2016	FY2017	FY2018
For the Year (S\$'000)					
Revenue	336,413	327,903	329,707	307,254	360,928
Gross profit	84,840	83,677	83,447	77,198	82,037
Profit before tax	21,354	21,641	14,350	10,168	11,100
Profit net of tax attributable to equity holders of the Company	17,155	19,068	11,896	9,741	8,154
At Year-end (S\$'000)					
Total assets	223,914	252,231	259,031	246,365	293,953
Total liabilities	122,849	138,860	140,361	124,315	172,554
Shareholders' funds	96,747	111,277	116,826	120,924	121,222
Cash and cash equivalents	81,360	70,688	74,551	71,073	77,508
Borrowings	6,514	13,385	11,056	13,933	35,675
Per Share (cents)					
Earnings - basic and diluted	8.84	9.71	6.02	4.90	4.09
Dividends	4.00	3.00	2.50	2.50	2.50
Net assets	49.73	56.51	58.96	60.73	60.74
Key Ratios (%)					
Revenue growth	13.6	(2.5)	0.6	(6.8)	17.5
Gross profit margin	25.2	25.5	25.3	25.1	22.7
Net profit margin	5.1	5.8	3.6	3.2	2.3
Return on shareholders' funds	18.8	18.3	10.4	8.2	6.7
Debt equity	6.7	12.0	9.5	11.5	29.4

REVENUE BY ACTIVITIES



ACTIVITIES	YEAR ENDED 31 DEC 18		YEAR ENDED 31 DEC 17	
	S\$'000	%	S\$'000	%
Exhibitions & Thematic	160,253	44.4	136,772	44.5
Retail & Corporate Interiors	171,983	47.7	143,173	46.6
Research & Design	17,123	4.7	15,521	5.1
Alternative Marketing	11,569	3.2	11,788	3.8
Total Revenue	360,928	100.0	307,254	100.0

REVENUE BY GEOGRAPHY



GEOGRAPHY	YEAR ENDED 31 DEC 18		YEAR ENDED 31 DEC 17	
	S\$'000	%	S\$'000	%
South Asia	191,567	53.1	163,428	53.2
North Asia	124,008	34.4	92,282	30.0
Middle East	11,161	3.1	17,772	5.8
United States and Canada	19,986	5.5	15,971	5.2
Europe	11,479	3.2	14,602	4.8
Others	2,727	0.7	3,199	1.0
Total Revenue	360,928	100.0	307,254	100.0



FINANCIAL HIGHLIGHTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Year Ended 31 Dec 18 S\$'000	Year Ended 31 Dec 17 S\$'000	+ / (-) %
Revenue			
Exhibitions & Thematic	160,253	136,772	17.2
Retail & Corporate Interiors	171,983	143,173	20.1
Research & Design	17,123	15,521	10.3
Alternative Marketing	11,569	11,788	(1.9)
Total revenue	360,928	307,254	17.5
Cost of sales	(278,891)	(230,056)	21.2
Gross profit	82,037	77,198	6.3
Other items of income			
Interest income	437	409	6.8
Other income	3,873	3,989	(2.9)
Other items of expense			
Depreciation of property, plant and equipment	(2,356)	(2,001)	17.7
Employee benefits expense	(57,682)	(55,025)	4.8
Other expenses	(14,418)	(14,218)	1.4
Interest expense	(801)	(534)	50.0
Share of result of joint venture	(16)	-	n/m
Share of results of associates	26	350	(92.6)
Profit before tax	11,100	10,168	9.2
Income tax expense	(3,742)	(996)	275.7
Profit net of tax	7,358	9,172	(19.8)
Profit/(loss) net of tax attributable to:			
Equity holders of the Company	8,154	9,741	(16.3)
Non-controlling interests	(796)	(569)	39.9
Profit net of tax	7,358	9,172	(19.8)

Note:
n/m = not meaningful



REVENUE

For the financial year ended 31 December 2018 (“FY2018”), the Group recorded a revenue of S\$360.9 million, an increase of S\$53.7 million or 17.5% compared to S\$307.2 million for the previous corresponding financial year ended 31 December 2017 (“FY2017”).

The Exhibitions & Thematic division registered a revenue of S\$160.3 million in FY2018, an increase of S\$23.5 million or 17.2% from S\$136.8 million in FY2017. The increase in revenue was due to the completion of several major events and projects in FY2018. The key contributors to the division’s revenue included major events and projects such as BNP Paribas WTA Finals Singapore presented by SC Global, Food & Hotel Asia 2018, Formula 1 Singapore Grand Prix, National Day Parade 2018, Shenzhen Binhai Tencent Exhibition Centre, Singapore Airshow 2018, TFWA Asia Pacific Exhibition & Conference 2018, Vinexpo Hong Kong 2018 and thematic projects in the region.

The Retail & Corporate Interiors division recorded a revenue of S\$172.0 million in FY2018, an increase of S\$28.8 million or 20.1% compared to S\$143.2 million in FY2017. The increase in revenue was due to the contribution from several key projects in FY2018. The key accounts which contributed to the division’s revenue included clients and brand names such as AIA, Bottega Veneta, Coach, Fendi, Hanoi French Hospital, Nike, Singtel, Tiffany & Co., Van Cleef & Arpels and YATA.

The Research & Design division achieved a revenue of S\$17.1 million in FY2018, an increase of S\$1.6 million or 10.3% compared to S\$15.5 million in FY2017. The key accounts which contributed to the division’s revenue included clients and brand names such as Burberry, Procter & Gamble Co., TAG Heuer, Tencent and Valentino, and thematic projects in the region.

The Alternative Marketing division registered a revenue of S\$11.6 million in FY2018, a decrease of S\$0.2 million or 1.9% from S\$11.8 million in FY2017. The key contributors to the division’s revenue included events and

projects from clients such as Asia-Pacific Association for International Education, Automobile Association of Singapore, IPI Singapore, Robinson, Samsonite and Sustainable Energy Association of Singapore.

GROSS PROFIT

Gross profit for FY2018 increased by S\$4.8 million or 6.3% to S\$82.0 million compared to S\$77.2 million in FY2017. The increase was a result of higher revenue registered and partially offset by a decline in gross profit margin. Gross profit margin was lower at 22.7% in FY2018 compared to 25.1% in FY2017, affected mainly by lower margin achieved for certain events and projects.

OTHER ITEMS OF INCOME

Interest income relates mainly to interest income earned from short-term deposits and bank balances placed with banks.

Other income decreased by S\$0.1 million or 2.9% from S\$4.0 million in FY2017 to S\$3.9 million in FY2018. The decrease was mainly due to lower service income, rental income and miscellaneous income of S\$1.0 million, S\$0.1 million and S\$0.2 million respectively and partially offset by the recognition of net foreign exchange gain of S\$1.0 million and higher write-back of impairment loss on doubtful trade receivables of S\$0.2 million. The net foreign exchange gain arose mainly from the depreciation of the Singapore Dollar against the various currencies that the Group conducted its operations in, in particular the United States Dollar.

OTHER ITEMS OF EXPENSE

Higher operating expenses were incurred in FY2018 compared to FY2017. The higher depreciation charge on property, plant and equipment was mainly due to depreciation charge incurred on new addition of assets and partially offset by fully depreciated assets of which no further depreciation charge was recorded. The new addition of assets, which resulted in the higher amount of property, plant and equipment in FY2018 compared to FY2017, mainly comprised of the new headquarters building and related equipment which commenced use from September 2018. The increase in employee

benefits expense was mainly due to higher cost resulting from increased headcount from the new experiential attractions business and increased average wage, and the higher performance linked incentives recorded. Other expenses were relatively unchanged mainly due to the recognition of higher bad trade debts written off and impairment loss on doubtful trade receivables, and other expenses such as market research cost and relocation cost incurred which were partially offset by the absence of net foreign exchange loss recorded (which amounted to S\$1.6 million in FY2017). The increase in interest expense was mainly due to a higher amount of loans and borrowings outstanding in FY2018 compared to FY2017. The loans and borrowings, classified within other financial liabilities on the statement of financial position, were used to finance capital expenditure as well as working capital needs.

SHARE OF RESULT OF JOINT VENTURE

Share of loss of joint venture amounted to S\$16,000 in FY2018. The joint venture company was newly incorporated at end 2018.

SHARE OF RESULTS OF ASSOCIATES

Share of profits of associates decreased by S\$324,000 or 92.6% from S\$350,000 in FY2017 to S\$26,000 in FY2018. The decrease was mainly due to lower profit contribution from certain associates.

PROFIT NET OF TAX ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Based on the above, profit net of tax attributable to equity holders of the Company decreased by S\$1.5 million or 16.3% from S\$9.7 million in FY2017 to S\$8.2 million in FY2018.





••• Vinexpo 2018, Hong Kong



••• National Day Parade 2018, Singapore



••• Twenty3 at Formula 1 Singapore Grand Prix

Photo Credit: Singapore GP Pte Ltd



EXHIBITIONS & THEMATIC

••• Madame Tussauds, China



••• One Championship, Singapore



••• The Great Room, Thailand



RETAIL & CORPORATE INTERIORS





... Yonex, Japan



... Magnum Pleasure Store, South Korea



RESEARCH & DESIGN



... Tencent Binhai Experience Centre, China





... Sephora Playhouse, Singapore



... Singtel@8george, Singapore



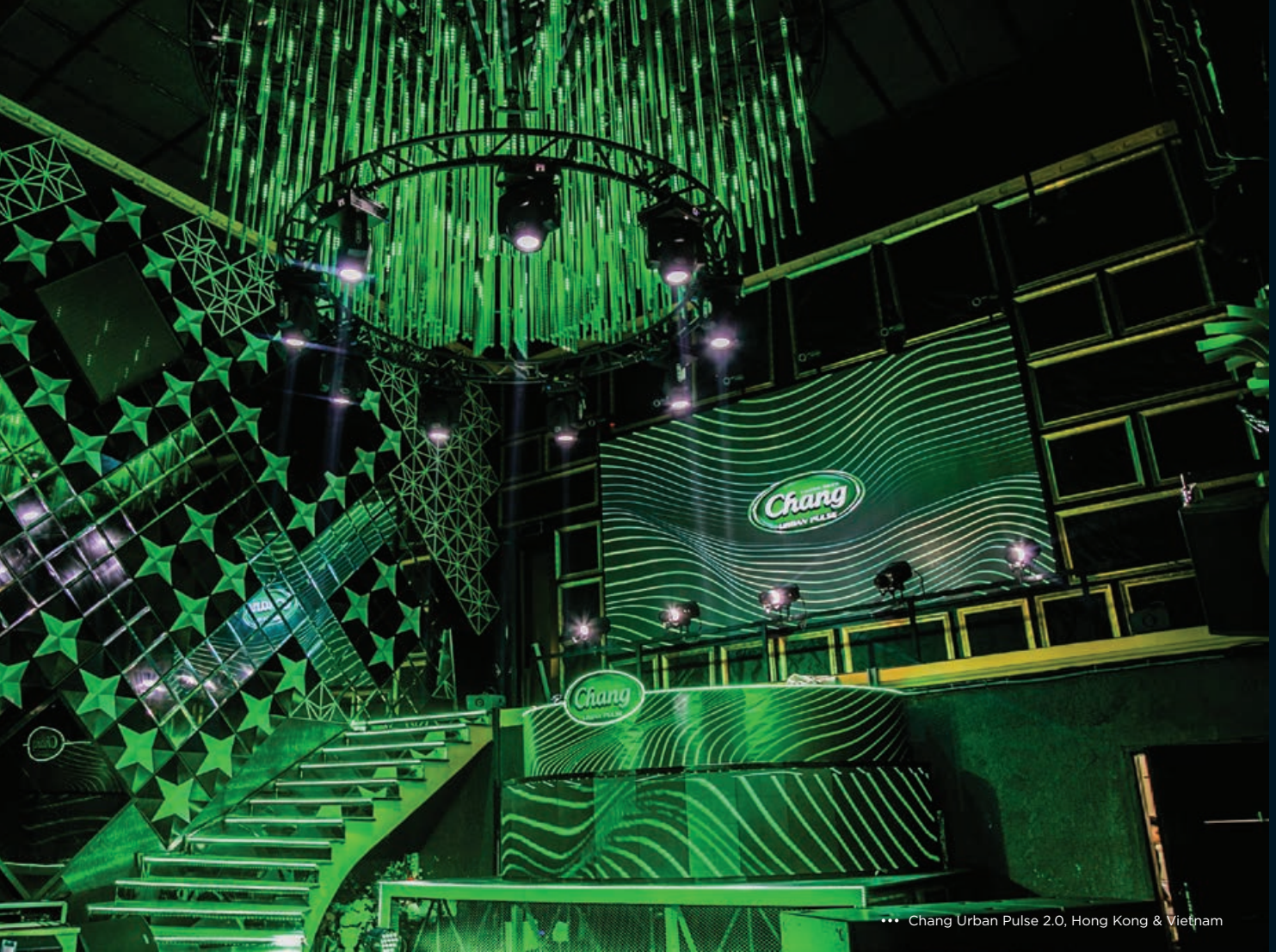


... 361° Launch Event , China



... ASEAN Chairmanship 2018 Launch, Singapore





... Chang Urban Pulse 2.0, Hong Kong & Vietnam



... BMW Mini Roadshow 2018, Thailand

ALTERNATIVE MARKETING



CORPORATE INFORMATION

BOARD OF DIRECTORS

Benedict Soh Siak Poh

Executive Chairman

Simon Ong Chin Sim

Deputy Executive Chairman

Andrew Cheng Oon Teck

Group Chief Executive Officer and Executive Director

Anthony Chong Siew Ling

*Group Managing Director, Exhibitions & Thematic
and Executive Director*

Alex Wee Huat Seng

*Group Managing Director, Retail & Corporate Interiors
and Executive Director*

Prabhakaran Narayanan Nair

Independent Director

Sebastian Tan Cher Liang

Independent Director

Cynthia Tan Guan Hiang

Independent Director

AUDIT COMMITTEE

Sebastian Tan Cher Liang

Chairman

Prabhakaran Narayanan Nair

Cynthia Tan Guan Hiang

NOMINATING COMMITTEE

Prabhakaran Narayanan Nair

Chairman

Sebastian Tan Cher Liang

Cynthia Tan Guan Hiang

Benedict Soh Siak Poh

Simon Ong Chin Sim

REMUNERATION COMMITTEE

Cynthia Tan Guan Hiang

Chairwoman

Prabhakaran Narayanan Nair

Sebastian Tan Cher Liang

REGISTERED OFFICE

22 Changi Business Park Central 2

The Kingsmen Experience

Singapore 486032

Telephone: (65) 6880 0088

Website: www.kingsmen-int.com

COMPANY REGISTRATION NUMBER

200210790Z

JOINT COMPANY SECRETARIES

Yang Yanru Cheryl

Tan Yong Kwang

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd

50 Raffles Place #32-01

Singapore Land Tower

Singapore 048623

AUDITORS

RSM Chio Lim LLP

8 Wilkie Road #03-08

Wilkie Edge

Singapore 228095

Partner-in-charge: Eu Chee Wei David

Appointed since financial year ended 31 December 2014

PRINCIPAL BANKERS

DBS Bank Ltd

The Hongkong and Shanghai Banking Corporation Limited

United Overseas Bank Limited



CORPORATE GOVERNANCE REPORT

Kingsmen Creatives Ltd. (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) are committed to achieving a high standard of corporate governance, and to complying with the Code of Corporate Governance 2012 (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. This report describes the Group’s main corporate governance practices with specific references to the principles of the Code.

The Company is pleased to confirm that throughout the financial year ended 31 December 2018 (“**FY2018**”), the Group has complied substantially with the principles and guidelines of the Code. Where there are deviations from the recommendations of the Code, we have provided the reasons and explanations in relation to the Group’s practices, where appropriate.

1. BOARD MATTERS

The Board’s Conduct of 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 long-term success of the company. The Board works with management to achieve this objective and management remains accountable to the Board.

The principal role of the Board of Directors (the “**Board**”) is to:

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

Delegation by the Board

Board committees, namely the Nominating Committee (the “**NC**”), Remuneration Committee (the “**RC**”) and Audit Committee (the “**AC**”), have been constituted to assist the Board in the discharge of specific responsibilities. The duties, authorities and accountabilities of each committee are set out in their respective written terms of reference. Further information on the roles and responsibilities of the NC, RC and AC are described separately under the various sections relating to each committee below.

Board Approval

Matters which specifically require the Board’s approval are:

- corporate strategy and business plans;
- major funding proposals and investments including the Group’s commitment in terms of capital and other resources;
- the appointment and remuneration packages of the directors and management;
- the Group’s quarterly, half-year and full-year financial result announcements and annual report for each financial year;
- material acquisitions and disposals of assets;
- share issuances, interim dividends and other returns to shareholders; and
- matters involving a conflict of interest for a substantial shareholder or a director.



CORPORATE GOVERNANCE REPORT

While matters relating to the Group's strategies and policies require the Board's direction and approval, management is responsible for the day-to-day operations and administration of the Group.

Board and Board Committees Meetings

The schedule of all Board and Board committees meetings and the Annual General Meeting ("AGM") for each financial year is planned well in advance, in consultation with the directors. The Board meets at least four times a year at regular intervals and on an ad-hoc basis, as and when circumstances require. Tele-conferencing at Board meetings is allowed under the Company's Constitution.

The number of Board and Board committees meetings held in FY2018 and the attendance of our directors at these meetings are as follows:

Name of Director	Board Meeting		Audit Committee Meeting		Nominating Committee Meeting		Remuneration Committee Meeting	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Soh Siak Poh Benedict	4	4	4	4 *	1	1	1	1 *
Simon Ong Chin Sim	4	4	4	4 *	1	1	1	1 *
Cheng Oon Teck	4	4	4	4 *	1	1 *	1	1 *
Chong Siew Ling	4	4	4	4 *	1	1 *	1	1 *
Alex Wee Huat Seng	4	4	4	4 *	1	1 *	1	1 *
Prabhakaran S/O Narayanan Nair	4	4	4	4	1	1	1	1
Tan Cher Liang	4	4	4	4	1	1	1	1
Tan Guan Hiang	4	4	4	4	1	1	1	1

* Attendance by invitation

Board Orientation and Training

A formal letter of appointment is provided to every new director, setting out his/her duties and obligations. A new director will also receive an orientation package which includes materials to familiarise new directors with the Group's business, operations, structure and governance practices relating to, *inter alia*, disclosure of interests in the Company's securities, prohibition on dealings in the Company's securities and restrictions on the disclosure of price-sensitive information. For new directors who do not have prior experience as a director of a public listed company in Singapore, they will attend training courses organised by the Singapore Institute of Directors or other training institutions in areas such as accounting, legal and industry-specific knowledge, where appropriate, in connection with their duties.

All directors are also provided with briefings and updates in areas such as corporate governance, changes to laws and regulations pertaining to the Group's business and operations, and changes in financial reporting standards, so as to enable them to properly discharge their duties as Board or Board committee members.

Further, in order to provide the independent directors with a better understanding of the Group's business and operations, the Company conducts visits to the Group's operational facilities. Directors can also request further briefings or information on any aspect of the Group's business or operations from management.



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Board Composition and Guidance

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 and 10% shareholders¹. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Board Composition

Currently, the Board comprises eight directors, three of whom are independent. The Board is constituted as follows:

Mr Soh Siak Poh Benedict	(Executive Chairman)
Mr Simon Ong Chin Sim	(Deputy Executive Chairman)
Mr Cheng Oon Teck	(Group Chief Executive Officer and Executive Director)
Mr Chong Siew Ling	(Group Managing Director, Exhibitions & Thematic and Executive Director)
Mr Alex Wee Huat Seng	(Group Managing Director, Retail & Corporate Interiors and Executive Director)
Mr Prabhakaran S/O Narayanan Nair	(Independent Director)
Mr Tan Cher Liang	(Independent Director)
Ms Tan Guan Hiang	(Independent Director)

Each year, the Board reviews its size and composition, taking into account, *inter alia*, the scope and nature of the Group's business and operations and the benefits of all aspects of diversity, including but not limited to gender, age, cultural, educational background and professional experience in order to maintain an appropriate range and balance of skills, experience and background of the Board.

The Board is committed to pursuing gender diversity in relation to the composition of the Board. In this connection, the NC will ensure that female candidates are included for consideration whenever it seeks to identify a new director to the Board. Having said that, gender is but one aspect of diversity and a new director will continue to be selected on the basis of his/her skills, experience, knowledge, insight and relevance to the Board.

As independent directors make up at least one-third of the Board, the Board has an independent element that sufficiently enables it to exercise objective judgement and no individual or group of individuals dominate the Board's decision-making process. The Board believes that its current composition and size provide an appropriate balance of skills, experience and knowledge of the Group, which facilitates effective decision-making. The directors provide core competencies such as accounting, finance, legal and human resource expertise, business and management experience, industry knowledge, strategic planning experience and customer-based experience and knowledge.

While the Chairman is part of the management team, the Board is of the opinion that based on the Group's current size and operations, it is not necessary to have independent directors make up at least half of the Board at present. Nonetheless, the Group is constantly on the lookout for suitable candidates to join the Board as independent directors as part of its renewal process.

Board Independence

The independence of each director is reviewed by the NC on an annual basis. In determining whether a director is independent, the NC has adopted the definition in the Code of what constitutes an independent director. Following its annual review, the NC and the Board are of the view that Mr Prabhakaran S/O Narayanan Nair, Mr Tan Cher Liang and Ms Tan Guan Hiang are independent.

¹ The term "10% shareholder" shall refer to a person who has an interest or interests in one or more voting shares in the company and the total votes attached to that share, or those shares, is not less than 10% of the total votes attached to all the voting shares in the company. "Voting shares" exclude treasury shares.



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The NC noted that under the Code, the independence of any director who has served on the Board beyond nine years from the date of first appointment should be subject to particularly rigorous review. Amongst the three independent directors, Mr Prabhakaran S/O Narayanan Nair has served as the independent director of the Company for more than nine years from his date of first appointment to the Board. The Board concurred with the NC that Mr Prabhakaran S/O Narayanan Nair remains objective in expressing his views and in participating in the deliberation and decision making of the Board and Board committees, notwithstanding his tenure of service. The NC and the Board hold the view that a director's independence cannot be determined arbitrarily with reference to a set period of time, and that the Group benefits greatly from Mr Prabhakaran S/O Narayanan Nair's long service due to his detailed knowledge of the Group's business and operations. Mr Prabhakaran S/O Narayanan Nair had abstained from deliberating on the matter relating to his review.

The independent directors contribute accounting and finance knowledge, legal and human resource expertise and business and management experience to the Group, and provide the executive directors and management with diverse and objective perspectives of issues that are brought before the Board. The independent directors also aid in developing the Group's strategic process, reviewing the performance of management in meeting agreed goals and objectives, monitoring the reporting of performance and operating as an appropriate check and balance. The independent directors meet regularly on their own without the presence of the executive directors and management and they will provide feedback to the Executive Chairman and/or the Deputy Executive Chairman after such meetings.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Mr Soh Siak Poh Benedict is the Executive Chairman, Mr Simon Ong Chin Sim is the Deputy Executive Chairman, and Mr Cheng Oon Teck is the Group Chief Executive Officer of the Group. This ensures that there is an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. Mr Soh Siak Poh Benedict, Mr Simon Ong Chin Sim and Mr Cheng Oon Teck are not related to each other.

At the operational level, the Group Chief Executive Officer is responsible for the overall management and development of the Group's local and overseas operations, as well as executing the strategic plans set out by the Board. The Deputy Executive Chairman is responsible for spearheading the strategic planning and development of the Group. He is also responsible for the overall strategy and policies of the Group's creative directions and standards. The Executive Chairman oversees the Group's strategic development and sets the overall strategy and policies. He is also responsible for exploring strategic business opportunities.

The Executive Chairman and the Deputy Executive Chairman promote high standards of corporate governance and lead the Board to ensure its effectiveness on all aspects of its role. As part of their administrative duties, the Executive Chairman and the Deputy Executive Chairman set the Board meeting agenda in consultation with the senior management and company secretaries of the Company, and ensure that adequate time is available for the discussion of all agenda items and that the directors receive complete, adequate and timely information. They also encourage constructive relations within the Board and between the Board and management and facilitate effective contribution of the independent directors. In addition, the Executive Chairman and the Deputy Executive Chairman are responsible for ensuring effective communication with shareholders.

The roles of the Executive Chairman, the Deputy Executive Chairman and the Group Chief Executive Officer are separated and each of the Board committees is chaired by an independent director. Although the Executive Chairman and the Deputy Executive Chairman are part of the management team, the Board is of the view that there is an appropriate balance of power and accountability that enhances the Board's capacity for independent decision-making and at present, it would not be necessary to appoint a lead independent director.



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Board Membership

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

Nominating Committee

The NC is chaired by Mr Prabhakaran S/O Narayanan Nair and comprises Mr Tan Cher Liang, Ms Tan Guan Hiang, Mr Soh Siak Poh Benedict and Mr Simon Ong Chin Sim. The majority of the NC members, including the Chairman, are independent directors.

The NC holds at least one meeting in each financial year. The principal functions of the NC in accordance with its written terms of reference are as follows:

- to make recommendations on matters relating to the appointment and re-appointment of directors, Board succession plans for directors, in particular, the Chairman and the Chief Executive Officer, evaluation of the performance of the Board, the Board committees and directors, and training programmes for the Board;
- to determine on an annual basis, and as and when circumstances require, whether or not a director is independent;
- to decide whether a director is able to and has been adequately carrying out his/her duties as a director of the Company;
- to ensure that all directors submit themselves for re-nomination and re-election at regular intervals and at least once every three years; and
- to assess the effectiveness of the Board as a whole, its Board committees and the contribution by each director to the effectiveness of the Board.

The date of first appointment and last re-election of each director is set out below. For the profile of the directors, please refer to the section entitled “Board of Directors” of this Annual Report. In addition, information on each director’s shareholding in the Company, if any, is set out in the section entitled “Directors’ Statement” of this Annual Report.

Name of Director	Date of First Appointment	Date of Last Re-election
Soh Siak Poh Benedict	16 December 2002	28 April 2017
Simon Ong Chin Sim	16 December 2002	27 April 2018
Cheng Oon Teck	1 July 2016	28 April 2017
Chong Siew Ling	12 August 2003	28 April 2017
Alex Wee Huat Seng	1 July 2016	27 April 2018
Prabhakaran S/O Narayanan Nair	12 August 2003	28 April 2017
Tan Cher Liang	30 April 2013	27 April 2018
Tan Guan Hiang	15 November 2016	28 April 2017

Directors’ Commitments

The NC considers whether a director is able to and has been adequately carrying out his/her duties as a director of the Company, taking into consideration, *inter alia*, the director’s number of listed company board representations and other principal commitments². In addition, the NC will take into consideration, *inter alia*, a qualitative assessment of each director’s contributions as well as any other relevant time commitments. The Board is of the view that at present, it would not be meaningful to prescribe a maximum number of listed company board representations which any director may hold. Each director has confirmed that notwithstanding other listed company board representations (if any) and principal commitments, he/she is able to devote sufficient time and attention to the affairs of the Group.

² The term “**principal commitments**” includes all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations.



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Alternate Directors

There is currently no alternate directors on the Board.

Process for Nomination and Selection of New Directors

The Company adopts a comprehensive and detailed process in the selection of new directors. Candidates are first sourced through an extensive network of contacts and identified based on, *inter alia*, the needs of the Group and the relevant expertise required. When necessary, the NC may seek the help of external consultant(s) in the search process. In selecting suitable candidates to be interviewed, the NC, in consultation with the Board, would also consider the Group's strategic goals, business direction and medium-term needs. The NC then conducts interviews with the candidates, and nominates the candidate deemed most suitable for appointment to the Board and, where required, to the Board committees.

Process for Re-nomination and Re-election of Directors

In recommending a director for re-election to the Board, the NC considers, *inter alia*, his/her performance and contributions to the Board (including attendance and participation in meetings, and time and effort accorded to the Group's business and affairs). All directors submit themselves for re-nomination and re-election at regular intervals and at least once every three years. Pursuant to Regulation 107 of the Company's Constitution, one-third of the Board are to retire from office by rotation and be subject to re-election at the AGM. In addition, Regulation 117 of the Company's Constitution provides that a newly appointed director must retire and submit himself/herself for re-election at the next AGM following his/her appointment. Thereafter, he/she is subject to be re-elected at least once every three years.

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its Board committees and the contribution by each director to the effectiveness of the Board.

Board Evaluation Process

The NC will assess and discuss the performance of the Board as a whole and its Board committees on an annual basis. This process includes a questionnaire completed individually by each director and the results of which are presented to the NC for review. Following its review, the NC identifies key areas for improvement and requisite follow-up actions, and provides feedback to the Board. The Board acts on the feedback and in consultation with the NC, proposes, where appropriate, new directors to be appointed or seeks the resignation of directors.

Each director will evaluate the performance of the Board taking into account a set of performance criteria which includes, *inter alia*, the evaluation of the Board's composition and size, the Board's process, the Board's effectiveness, the provision of information to the Board, the Board's standards of conduct and financial performance indicators. The Board is of the view that this set of performance criteria allows for appropriate comparison and addresses how the directors have enhanced long-term shareholders' value. The Board has met its performance objectives in respect of FY2018.

Individual Director Evaluation

There is an assessment conducted annually and informally by the NC of each director's contribution to the effectiveness of the Board. In evaluating the contribution by each director, numerous factors are taken into consideration, including attendance and participation in meetings and commitment of time to director's duties. The NC also considers other contributions by a director such as providing objective perspectives on issues, facilitating business opportunities and strategic relationships, and accessibility to management outside of formal Board and/or Board committees meetings. The performance of each director is taken into account in re-election.



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Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Company makes available to all directors its monthly management accounts and other financial statements, budgets and forecasts, together with all other relevant information. The directors can seek detailed information from management regarding the monthly management accounts and other financial statements, budgets and forecasts, where necessary. In addition, management will inform and/or update the directors of any significant issues and/or matters on a timely basis. Detailed board papers are provided to the directors before the scheduled meetings so as to enable them to make informed decisions. In respect of forecasts, any material variance between the projections and the actual results is reviewed by the directors and disclosed and explained by management, where required by the directors.

At each Board meeting, management briefs the directors on the state of the Group's business, operations, finances and risks. The directors are also briefed on key developments in the industry both locally and overseas, where appropriate.

The directors have also been provided with the contact details of the Company's management and company secretaries to facilitate separate and independent access. At least one company secretary is in attendance at all Board and Board committees meetings. Together with management, the company secretaries are responsible for ensuring that appropriate board procedures are followed and that the requirements of the Companies Act, Chapter 50 of Singapore and the provisions in the Listing Manual of the Singapore Exchange Securities Trading Limited (the "Listing Manual") are complied with. The appointment and removal of each company secretary is subject to the Board's approval.

The directors may, 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/her own remuneration.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.



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Remuneration Committee

The RC is chaired by Ms Tan Guan Hiang and comprises Mr Prabhakaran S/O Narayanan Nair and Mr Tan Cher Liang. All the RC members, including the Chairwoman, are independent directors. The RC holds at least one meeting in each financial year. The principal function of the RC, in accordance with its written terms of reference, is to set the remuneration guidelines and policies of the Group. The RC also administers the Kingsmen Performance Share Scheme (the “**Scheme**”). Details of the Scheme are contained in the section entitled “Directors’ Statement” of this Annual Report.

The Board considers that the members of the RC, who each have years of experience in senior management positions and/or on the boards of various listed companies, collectively have strong management experience and expertise on remuneration issues. If necessary, the RC members may seek professional advice inside and/or outside the Company on the remuneration of all directors and management. During FY2018, the RC members did not require the service of an external remuneration consultant.

Procedures for Setting Remuneration

The Company has implemented a formal and transparent procedure for developing policy on executive remuneration and for awarding the remuneration packages of individual directors. The RC reviews and recommends to the Board a general framework of remuneration and specific remuneration packages for the Board and management, covering all aspects of remuneration including directors’ fees, salaries, allowances, bonuses, share-based incentives and awards, and benefits-in-kind. The RC’s recommendations are submitted for endorsement by the entire Board. Each RC member does not participate in discussions, and abstains from decision-making, relating to any remuneration, compensation or any form of benefits to be granted to him/her.

The RC also reviews the Company’s compensation obligations, if any, arising in the event of termination of the executive directors’ and/or management’s contracts of service, to ensure that the termination clauses of such contracts of service are fair and reasonable.

Remuneration Policies

In order to maximise shareholders’ value and promote the long-term growth of the Group, the Company seeks to attract, retain and motivate management and employees by offering competitive remuneration packages. The remuneration of our management and employees is set based on, *inter alia*, the relevant scope and extent of responsibilities, prevailing market conditions, comparable industry benchmarks, risk policies of the Group, need for compensation to be symmetric with risk outcomes and time horizon of risks. The Company rewards management and employees based on achievement of individual performance objectives using indicators such as competencies, key result areas, performance ratings and potential of the individual and the Group’s financial performance. The Board is of the view that this will motivate our management and employees to achieve superior performance and promote the long-term growth of the Group. The Company does not use contractual provisions to allow it to reclaim incentive components of remuneration from management in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The executive directors owe a fiduciary duty to the Company and the Company should be able to avail itself to remedies against the executive directors in the event of a breach of fiduciary duties.

Executive Directors’ and Key Executives’ Remuneration

Each of our executive directors and key executives is entitled to, *inter alia*, a base salary and performance-related incentives linked to the individual’s performance, which is assessed based on their respective performance indicators such as competencies, key result areas, performance ratings and potential of the individual and the Group’s financial performance. The terms of our executive directors’ and key executives’ service agreements and their remuneration packages are subject to review by the RC. There are no excessive or onerous removal clauses in these service agreements.

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Independent Directors' Remuneration

The independent directors have not entered into service agreements with the Company. The RC and the Board are of the view that independent directors should not be over-compensated to the extent that their independence may be compromised. Each independent director receives a basic fee and additional fees for serving on any of the committees, which is determined taking into account the effort, time spent and responsibilities of the director. Such fees are subject to approval of the shareholders at each AGM of the Company.

Level and Mix of Remuneration

The remuneration of the Company's directors and the Group's key executives for FY2018 is set out below. Overall, the Company's executive directors and the Group's key executives have met the key performance objectives required of them. No termination, retirement or post-employment benefits have been granted to the Company's directors and the Group's key executives.

(a) Directors

Name of Director	Fees	Salary	Bonus/ Incentives	Benefits	Share Award	Total Remuneration	
	%	%	%	%	%	%	S\$'000
Executive Directors							
Soh Siak Poh Benedict	15	36	45	4	–	100	684
Simon Ong Chin Sim	15	36	46	3	–	100	680
Cheng Oon Teck	4	47	46	2	1	100	689
Chong Siew Ling	4	37	56	2	1	100	822
Alex Wee Huat Seng	5	68	24	3	–	100	458
Independent Directors							
Prabhakaran S/O Narayanan Nair	100	–	–	–	–	100	43
Tan Cher Liang	100	–	–	–	–	100	50
Tan Guan Hiang	100	–	–	–	–	100	43

(b) Key Executives

Remuneration of the top five key executives in bands of S\$250,000 (who are not directors of the Company)

Name of Key Executive	Fees	Salary	Bonus/ Incentives	Benefits	Share Award	Total Remuneration	
	%	%	%	%	%	%	%
S\$500,000 to S\$749,999							
Krez Peok Chong Eng	5	39	53	3	–	100	
S\$250,000 to S\$499,999							
Kevin Cheon Kwan Hoe	5	39	29	27	–	100	
Roy Ong Chin Kwan	3	72	20	5	–	100	
Francis Chang Keat Jin	3	58	32	7	–	100	
Gerald Tay Kay Sock	4	70	21	5	–	100	

The aggregate amount of the total remuneration paid to the Group's top five key executives (who are not directors or chief executive officer) is S\$1,828,000.

Mr Roy Ong Chin Kwan is the brother and thus an immediate family member of Mr Simon Ong Chin Sim, our Deputy Executive Chairman. Mr Roy Ong Chin Kwan's remuneration for FY2018 falls in the band of S\$300,000 to S\$350,000. Save as disclosed above, there are no other employees who are related to a director, whose remuneration exceeds S\$50,000.



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Employee Share Scheme

Pursuant to the Scheme, an aggregate of 468,200 fully-paid shares, constituting approximately 0.2% of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings), were awarded and issued in FY2018. Since the commencement of the Scheme, an aggregate of 9,316,410 fully-paid shares, constituting approximately 4.7% of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings), have been awarded and issued.

Further details of the Scheme are set out in the section entitled “Directors’ Statement” of this Annual Report.

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 the Company’s disclosure obligations under the Listing Manual, the Board’s policy is that shareholders shall be informed of all major developments relating to the Group. Information is communicated to shareholders on a timely basis through SGXNET and the press. The Board also provides shareholders with a detailed explanation of the Group’s performance, position and prospects on a quarterly basis.

The Board reviews the Group’s financials, overall business operation, operational practices and procedures at the quarterly Board meetings and discusses or is updated on the relevant legislative and regulatory requirements either at Board meetings or via electronic mails.

In accordance with Rule 705(5) of the Listing Manual, the Board provides a negative assurance confirmation to shareholders in its interim quarterly financial statements announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspects.

In addition, the Group had, pursuant to Rule 720(1) of the Listing Manual, received undertakings from all its directors and executive officers that they each shall, in the exercise of their powers and duties as directors and executive officers, comply to the best of their abilities with the provisions of legislative and regulatory requirements and will also procure the Group to do so.

Management makes available to all directors the management accounts and other financial statements, together with all other relevant information of the Group’s performance, position and prospects on a monthly basis and as and when the directors may require from time to time.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that management maintains a sound system of risk management and internal controls to safeguard shareholders’ interests and the company’s assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The AC and management are responsible for overseeing the Group’s risk management framework and policies, including reviewing the Group’s business and operational activities to identify areas of significant business risks, and recommending to the Board the appropriate strategy and resources required for managing risks that are consistent with the Group’s risk appetite.



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Material transactions are subject to risk analysis by the AC and management, and safeguard measures against significant risks are established prior to undertaking new projects. The AC, together with management, will continue to enhance and improve the existing risk management and internal control systems.

The internal and external auditors also assist in the risk management process by identifying certain areas of concern that are uncovered through financial/audit checks. The key risks facing the Group have been identified and appropriate measures are in place to mitigate such risks.

The Board has received assurance from the Executive Chairman, the Deputy Executive Chairman, the Group Chief Executive Officer and the Financial Controller that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and regarding the adequacy and effectiveness of the Group's risk management and internal control systems.

Based on the internal controls (including financial, operational, compliance and information technology controls) established and maintained by the Group, work performed by the internal and external auditors, a board risk and assurance framework developed with the assistance of an external consultant, information provided to the AC and the Board and reviews performed by the AC and the Board at least annually, the AC and the Board are of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology risks, and risk management systems are adequate and effective as at the date of this Annual Report.

The system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. The Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Audit Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC is chaired by Mr Tan Cher Liang and comprises Mr Prabhakaran S/O Narayanan Nair and Ms Tan Guan Hiang. All the AC members, including the Chairman, are independent directors. No former partner or director of the Company's existing auditing firm is a member of the AC. The Board considers that Mr Tan Cher Liang, who has extensive and practical accounting and financial management knowledge and experience, is well qualified to chair the AC. The members of the AC, collectively, have the knowledge and experience in accounting and related financial management and are appropriately qualified to discharge the AC's responsibilities.

The AC holds at least four meetings in each financial year. The principal functions of the AC in accordance with its written terms of reference are as follows:

- reviewing the Group's financial statements, and significant financial reporting issues and judgements so as to ensure the integrity of the financial statements and any formal announcements relating to the Group's financial performance before their submission to the Board;
- reviewing the audit plans and reports of the internal and external auditors and to consider the effectiveness of the actions taken by management on the auditors' recommendations;
- ensuring that management provides assistance and co-operation to the internal and external auditors;



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- evaluating the adequacy and effectiveness of the Group's internal controls by, *inter alia*, reviewing the reports of the internal and external auditors, and management's responses and actions to correct any deficiencies and reporting the same to the Board at least annually;
- reviewing the adequacy and effectiveness of the Group's internal audit function;
- making recommendations to the Board on the appointment, re-appointment and removal of the external auditors;
- approving the remuneration and terms of engagement of the external auditors;
- reviewing the independence and objectivity of the external auditors at least annually; and
- reviewing interested person transactions (as defined in the Listing Manual).

In addition, the AC is tasked to commission independent investigations of any suspected fraud or irregularity, which has or is likely to have a material impact on the Group's operating results or financial position, and to review the findings of such investigations. The AC has reasonable resources to enable it to discharge its responsibilities properly. It has full access to, and the co-operation of, management and full discretion to invite any director or key executive to attend its meetings.

The AC also meets with the internal and external auditors without management, at least annually and whenever necessary to review the adequacy of audit arrangements, with emphasis on the scope and quality of audit and the independence and objectivity of the auditors.

The external auditors provide regular updates and briefings to the AC on changes to accounting standards and other financial issues to enable the AC to keep abreast of such changes and its corresponding impact on the financial statements.

In the review of the financial statements for FY2018, the AC has discussed with management and the external auditors, RSM Chio Lim LLP ("**RSM**"), on significant matters and assumptions that impact the financial statements. Following the review and discussion, the AC is satisfied that those significant matters impacting the financial statements, including the most significant matters that have been included in the Independent Auditor's Report dated 26 March 2019 to the shareholders of the Company as key audit matters, have been properly dealt with and recommended the Board to approve the financial statements. The Board has on 26 March 2019 approved the financial statements.

External Auditors

The AC reviews the independence of RSM annually. No non-audit services were rendered by RSM during FY2018. The audit fees paid/payable to RSM for FY2018 amount to S\$185,500. The partner in charge of auditing the Group, Mr Eu Chee Wei David, was appointed from FY2014. The AC is satisfied with the independence and objectivity of RSM.

The Company has complied with Rules 712 and 715 of the Listing Manual in the appointment of its external auditors.

Whistle-blowing Policy

The Company implemented a whistle-blowing policy in 2010, which provides the Group's employees and any other persons with well-defined and accessible channels through which they may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. Whistle-blowing concerns may be reported using a prescribed form, in person or via letter, electronic mail or telephone call. The AC reviews such policy to ensure that arrangements are in place for independent investigation of such matters and for appropriate follow-up action.

The Company will protect the identity and interest of all whistle-blowers, and treat all information received confidentially. Anonymous reports will also be accepted.



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Internal Audit

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

We have engaged Nexia TS Risk Advisory Pte. Ltd. (“Nexia”) as our internal auditors. Nexia is a certified public accounting firm and a member of the Institute of Internal Auditors (“IIA”). In performing the internal audit, Nexia applied the Standards for the Professional Practice of Internal Auditing set by IIA.

The Board recognises that it is responsible for maintaining a sound system of internal controls to safeguard shareholders’ investments and the Group’s business and assets. The AC approves the hiring, removal, evaluation and compensation of the internal auditors. The internal auditors report primarily to the Chairman of the AC and have full access to the documents, records, properties and personnel (including the AC) of the Group. The audit plan is submitted to the AC for approval prior to commencement of the internal audit.

The AC reviews the adequacy and effectiveness of the internal audit function at least annually to, *inter alia*, ensure that (i) the internal audit function is adequately resourced and has appropriate standing within the Group; and (ii) the recommendations of the internal auditors are properly implemented.

4. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders’ rights, and continually review and update such governance arrangements.

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow 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. Where there is inadvertent disclosure made to a select group, the Company makes the same disclosure publicly to all others as promptly as possible. Price sensitive information is first publicly released via SGXNET and/or our corporate website before the Company meets with any group of investors or analysts. The Group’s financial results and annual reports are announced or issued via SGXNET within the period specified under the Listing Manual, and are also made available to the public via the Company’s website.

The Board welcomes the views of shareholders on matters affecting the Group, whether at shareholders’ meetings or on an ad-hoc basis. Shareholders are informed of shareholders’ meetings through notices published in the newspapers, reports and/or circulars provided to all shareholders in which relevant rules and procedures governing the meetings are clearly communicated. 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 for approval. “Bundling” of resolutions are kept to a minimum and are done



CORPORATE GOVERNANCE REPORT

only where the resolutions are interdependent and linked so as to form one significant proposal and only where there are reasons and material implications involved. All resolutions are to be voted by poll, following which the detailed results showing, *inter alia*, the number of votes cast for and against each resolution and the respective percentages will be announced. Electronic poll voting has not been employed due to the costs involved. The Executive Chairman, the Deputy Executive Chairman and the chairpersons of the AC, NC and RC are typically available at shareholders' meetings to answer queries. The external auditors are also present at the AGM to assist the directors in addressing any relevant queries by shareholders regarding the conduct of audit and the preparation and content of the auditors' report. The AGM is the principal forum for dialogue with shareholders.

The Company also holds briefings to present half-year and full-year financial results for the media and analysts. Outside of the financial announcement periods, when necessary and appropriate, management will meet investors and analysts who like to seek a better understanding of the Group's business and operations. This also enables the Company to solicit feedback from the investment community on a range of strategic and topical issues which provide valuable insights to the Company on investors' views. When opportunities arise, the Company conducts media interviews to give its shareholders and the public a better perspective of the Group's business, operations and prospects.

The Company does not have a concrete dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profitability, cash position, projected capital requirements for business growth and other factors as the Board may deem appropriate.

The Constitution of the Company allows a member of the Company to appoint not more than two proxies to attend and vote at shareholders' meetings instead of the member. Voting in absentia and electronic mail may only be possible following careful study to ensure the integrity of the information and authentication of the identity of member through the web is not compromised and is also subject to legislative amendment to recognise electronic voting.

The minutes of shareholders' meetings, which include substantial and relevant questions and comments from shareholders and responses from the Board and management, are available to shareholders upon written request.

5. DEALINGS IN SECURITIES

The Company has adopted an internal policy on dealings in the Company's securities, which is in line with the requirements of the Listing Manual and notified to all directors, officers and employees of the Group. The Company and all directors, officers and employees of the Group are prohibited from dealing in the Company's securities during the period commencing two weeks before the announcement of the Group's quarterly and half-year financial results, and the period commencing one month before the announcement of its full-year financial results.

All directors, officers and employees are expected to observe insider trading laws at all times. In particular, they are aware that dealing in the Company's securities, when they are in possession of unpublished material price-sensitive information in relation to those securities, is an offence. Our directors, officers and employees are also discouraged from dealing in the Company's securities on short-term considerations.

6. MATERIAL CONTRACTS

Except as disclosed in the financial statements, there were no material contracts (including loans) of the Company or its subsidiaries involving the interests of the Executive Chairman, the Deputy Executive Chairman, the Group Chief Executive Officer, the directors or the controlling shareholders which subsisted at the end of the financial year or have been entered into since the end of the previous financial year.



CORPORATE GOVERNANCE REPORT

7. INTERESTED PERSON TRANSACTIONS

The Group has adopted an internal policy in respect of any transaction with an interested party within the definition of Chapter 9 of the Listing Manual and has in place procedures for review and approval of all interested person transactions. In the event that a potential conflict of interest arises, the director concerned will not participate in discussions, abstains from decision-making, and refrains from exercising any influence over other members of the Board.

There are no interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual and excluding transactions amounting to less than S\$100,000, there are no other interested person transactions during FY2018. To ensure compliance with Chapter 9 of the Listing Manual, the AC and the Board review, on a quarterly basis, interested person transactions entered into by the Group (if any).



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DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Kingsmen Creatives Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the reporting year ended 31 December 2018.

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

- (a) the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the reporting year ended on that date; and
- (b) 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.

2. DIRECTORS

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

Soh Siak Poh Benedict	(Executive Chairman)
Simon Ong Chin Sim	(Deputy Executive Chairman)
Cheng Oon Teck	(Group Chief Executive Officer and Executive Director)
Chong Siew Ling	(Group Managing Director, Exhibitions & Thematic and Executive Director)
Alex Wee Huat Seng	(Group Managing Director, Retail & Corporate Interiors and Executive Director)
Prabhakaran S/O Narayanan Nair	(Independent Director)
Tan Cher Liang	(Independent Director)
Tan Guan Hiang	(Independent Director)

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors of the Company, who held office at the end of the reporting year, had, according to the register of directors' shareholdings required to be kept by the Company under section 164 of the Singapore Companies Act, Cap. 50 (the "Act"), an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries), as stated below:



DIRECTORS' STATEMENT

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

	Direct interest		Deemed interest	
	At the beginning of the reporting year	At the end of the reporting year	At the beginning of the reporting year	At the end of the reporting year
<u>Name of director</u>				
		<u>Ordinary shares of the Company</u>		
Soh Siak Poh Benedict	8,540,849	8,540,849	37,993,060	37,993,060
Simon Ong Chin Sim	8,340,830	8,340,830	37,993,060	37,993,060
Cheng Oon Teck	647,690	656,400	–	–
Chong Siew Ling	4,104,731	4,150,531	–	–
Alex Wee Huat Seng	2,703,549	2,703,549	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the reporting year and 21 January 2019.

By virtue of section 7 of the Act, Soh Siak Poh Benedict and Simon Ong Chin Sim are deemed to have interests in shares of the subsidiaries of the Company.

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

4. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of, nor at any time during the reporting year, did there subsist arrangements to which the Company is a party, being arrangements whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Kingsmen Performance Share Scheme" in this statement.

5. SHARE OPTIONS

During the reporting year, no option to take up unissued shares of the Company or any subsidiary was granted and there were no shares of the Company or any subsidiary issued by virtue of the exercise of an option to take up unissued shares. At the end of the reporting year, there were no unissued shares of the Company or any subsidiary under option.



DIRECTORS' STATEMENT

6. KINGSMEN PERFORMANCE SHARE SCHEME

The Kingsmen Performance Share Scheme (the "KPSS") was approved and adopted by the members of the Company at an Extraordinary General Meeting of the Company held on 29 April 2009. The purpose of the KPSS is to provide an opportunity for (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) Group 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 who have met performance targets to be remunerated through an equity stake in the Company and/or when due recognition should be given to any good work performance and/or significant contribution to the Group as well as for Group employees to receive part of their annual cash bonus payment in the form of shares of the Company. Persons eligible to participate in the KPSS who are also controlling shareholders of the Company or associates of a controlling shareholder of the Company would be eligible to participate in the KPSS subject to the rules of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "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 (the "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 Group and/or (ii) the Group decides to pay a pre-determined percentage of a Group employee's annual cash bonus payment in the form of shares of the Company. 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 of the Company shall be determined by the KPSS Committee in its absolute discretion.

The KPSS Committee consists of five directors of the Company (being two of the executive directors, Mr Soh Siak Poh Benedict and Mr Simon Ong Chin Sim, and the three independent directors, Mr Prabhakaran S/O Narayanan Nair, Mr Tan Cher Liang and Ms Tan Guan Hiang). The quorum for any KPSS Committee meeting shall be three directors, of which two 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 of directors, 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/her.

The KPSS shall continue in force at the discretion of the KPSS Committee, subject to a maximum period of ten years commencing on 29 April 2009 which is 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 members 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.

During the reporting year, an aggregate of 468,200 (2017: 966,280) performance shares were awarded to and accepted by 27 (2017: 52) participants.



DIRECTORS' STATEMENT

6. KINGSMEN PERFORMANCE SHARE SCHEME (CONT'D)

At the end of the reporting year under review, details of the performance shares awarded under the KPSS are as follows:

Detail of Participant	Balance as at 1.1.2018 (a)	Share awards granted during the reporting year	Share awards vested during the reporting year (b)	Balance as at 31.12.2018 (a)+(b)	Aggregate ordinary shares awarded since commencement of KPSS to end of reporting year under review
Controlling shareholders and associate					
Soh Siak Poh Benedict	606,410	–	–	606,410	606,410
Simon Ong Chin Sim	606,410	–	–	606,410	606,410
Ong Chin Kwan	110,730	–	–	110,730	110,730
Directors					
Cheng Oon Teck	474,260	8,710	8,710	482,970	482,970
Chong Siew Ling	469,970	45,800	45,800	515,770	515,770
Alex Wee Huat Seng	648,150	–	–	648,150	648,150
Employees	5,932,280	413,690	413,690	6,345,970	6,345,970
	<u>8,848,210</u>	<u>468,200</u>	<u>468,200</u>	<u>9,316,410</u>	<u>9,316,410</u>

No participants have been awarded 5% or more of the aggregate number of performance shares which may be issued under the KPSS since its commencement.

The aggregate number of performance shares available to controlling shareholders and their associates must not exceed 25% of the performance shares available under the KPSS. The number of performance shares available to each controlling shareholder or his associate must also not exceed 10% of the performance shares available under the KPSS.

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



DIRECTORS' STATEMENT

7. AUDIT COMMITTEE

At the date of this report, the Audit Committee comprises the following members, all of whom are independent:

Tan Cher Liang (Chairman)
Prabhakaran S/O Narayanan Nair
Tan Guan Hiang

The Audit Committee has held four meetings since the last Directors' Statement and carried out its functions in accordance with section 201B(5) of the Act, the Listing Manual and the Code of Corporate Governance 2012 which include the following:

- reviewing the Group's financial statements, and significant financial reporting issues and judgements so as to ensure the integrity of the financial statements and any formal announcements relating to the Group's financial performance before their submission to the board of directors;
- reviewing the audit plans and reports of the internal and external auditors and to consider the effectiveness of the actions taken by management on the auditors' recommendations;
- ensuring that management provides assistance and co-operation to the internal and external auditors;
- evaluating the adequacy and effectiveness of the Group's internal controls by, *inter alia*, reviewing the reports of the internal and external auditors, and management's responses and actions to correct any deficiencies and reporting the same to the board of directors at least annually;
- reviewing the adequacy and effectiveness of the Group's internal audit function;
- making recommendations to the board of directors on the appointment, re-appointment and removal of the external auditors;
- approving the remuneration and terms of engagement of the external auditors;
- reviewing the independence and objectivity of the external auditors at least annually; and
- reviewing interested person transactions (as defined in the Listing Manual).

In addition, the Audit Committee is tasked to commission independent investigations of any suspected fraud or irregularity, which has or is likely to have a material impact on the Group's operating results or financial position, and to review the findings of such investigations. The Audit Committee has reasonable resources to enable it to discharge its responsibilities properly. It has full access to, and the co-operation of, management and full discretion to invite any director or key executive to attend its meetings.

The Audit Committee also meets with the internal and external auditors without management, at least annually and whenever necessary to review the adequacy of audit arrangements, with emphasis on the scope and quality of audit and the independence and objectivity of the auditors.

The Company has complied with Rules 712 and 715 of the Listing Manual in the appointment of its external auditors. The Audit Committee and the board of directors confirmed that they are satisfied that the appointment of different auditors for the Group's subsidiaries and associates would not compromise the standard and effectiveness of the audit of the Group.

No non-audit services were rendered by the external auditors during the reporting year. The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the board of directors that the external auditors, RSM Chio Lim LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.



DIRECTORS' STATEMENT

8. INDEPENDENT AUDITORS

The independent auditors, RSM Chio Lim LLP, have expressed their willingness to accept re-appointment.

On behalf of the board of directors

Soh Siak Poh Benedict
Director

Simon Ong Chin Sim
Director

26 March 2019



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KINGSMEN CREATIVES LTD.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Kingsmen Creatives Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the reporting year then ended, and notes to the financial statements, including accounting policies.

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the reporting year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (the "ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current reporting year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(1) Assessment of goodwill

Management monitors and assesses at least annually to determine whether goodwill has suffered any impairment loss. The assessment, based on the 'value in use' method, is complex and involves management's judgements about the future results of the business and the budgeted gross margins, discount rates and growth rates applied to cash flow forecasts. There is a risk that the Group's goodwill may be overstated and impairment loss is not provided. Please refer to Note 2 of the financial statements on accounting policies and Note 3 of the financial statements on critical judgements, assumptions and estimation uncertainties. Further information in relation to goodwill is provided in Note 16 of the financial statements.

We have evaluated and challenged management's estimates used in the value in use method for indications of possible bias on the part of management through our knowledge of the cash-generating units' operations, their past performance, management's growth strategies and cost initiatives. We have also compared the discount rates and growth rates used to industry benchmarks and regional indices to evaluate their appropriateness.

Based on our procedures, we found management's estimates on the budgeted gross margins, discount rates and growth rates used in the cash flow forecasts to be within a reasonable range. We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KINGSMEN CREATIVES LTD.

Key audit matters (cont'd)

(2) Recognition of construction contracts

The Group has a number of large and complex projects, with differing revenue recognition criteria across the projects. The timing of revenue recognition on these projects is dependent on the fulfilment of contractual terms. The fulfilment of such contractual terms can be complex and often involve subjective judgements on contract completion and recoverability. Judgements are also exercised in assessing the fair value of the works done. There is a risk that the Group's recognition of construction contracts may not be reasonable. Please refer to Note 2 of the financial statements on accounting policies and Note 3 of the financial statements on critical judgements, assumptions and estimation uncertainties. Further information in relation to construction contracts is provided in Notes 6 and 24 of the financial statements.

We have selected a sample of projects focusing on material contracts and contracts that met certain identified risk criteria and evaluated and challenged management's justification for the stage of contract completion of projects, revenue and costs recognised and to be recognised, provisions for loss held against work in progress and assessment of the fair value of the works completed. We have examined the contract terms and obtained relevant information from management. We have performed a review of prior and current project budgets and assessed consistency with the progress of projects during the current reporting year and reasonableness of management's estimates used to determine costs to complete. In relation to actual costs incurred to date, we have tested the costs incurred to actual suppliers' invoices. We have also performed tests and assessed the claims and variation orders recognised on projects.

Based on our procedures, we found management's approach and estimates for the project budgets and percentage of completion used to account for construction contracts to be reasonable. We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

(3) Recoverability of trade receivables

Management monitors and assesses the Group's credit risk, and where required, adjust the level of allowance for expected credit losses on doubtful trade receivables, which requires management to make significant judgements regarding the expected future financial condition and ability of future receipts from the debtors, especially where the debts are overdue. Management's approach in assessing recoverability of the trade receivables includes analysing historical collection trends and credit standings of the debtors. There is a risk that the Group's trade receivables which are past due but not impaired may not be recoverable and allowance for expected credit losses on doubtful trade receivables may not be adequate or reasonable. Please refer to Note 2 of the financial statements on accounting policies and Note 3 of the financial statements on critical judgements, assumptions and estimation uncertainties. Further information in relation to trade receivables is provided in Notes 21 and 33 of the financial statements.

We have evaluated and challenged management's assessment of the recoverability of the Group's trade receivables which are past due but not impaired as at the reporting date, including the assessment of any allowance for expected credit losses to be made by the Group in respect of the overdue trade receivables. This is undertaken by considering amongst others, available reasonable and supportive forward-looking information which includes internal credit rating, external credit rating, actual or expected significant changes in operating results, actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the ability to meet obligations and significant increases in credit risk on other financial instruments of the debtors and factors such as subsequent receipts, past payment practices, ongoing business relationship and repayment schedule as agreed with the debtors. We have also enquired with management on the reasons for the delay in payments on the overdue trade receivables.

Based on our procedures, we found management's approach and estimates used in assessing sufficiency of allowance for expected credit losses on doubtful trade receivables to be balanced. We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KINGSMEN CREATIVES LTD.

Key audit matters (cont'd)

(4) Assessment of investments in subsidiaries and recoverability of amounts due from subsidiaries

Management monitors and assesses at each reporting date to determine whether there are indicators of impairment of investments in subsidiaries and non-recoverability of amounts due from subsidiaries, especially where the amounts are overdue, and if there are such indicators, cash flow forecasts are performed to assess the recoverable amounts of investments in subsidiaries and amounts due from subsidiaries. The assessment is complex and involves management's judgements about the future results of the business and the budgeted gross margins, discount rates and growth rates applied to cash flow forecasts. There is a risk that the Group's investments in subsidiaries and amounts due from subsidiaries which are past due but not impaired may not be recoverable and impairment loss and allowance for expected credit losses respectively may not be adequate or reasonable. Please refer to Note 2 of the financial statements on accounting policies and Note 3 of the financial statements on critical judgements, assumptions and estimation uncertainties. Further information in relation to investments in subsidiaries and amounts due from subsidiaries are provided in Notes 17 and 21 of the financial statements respectively.

We have evaluated and challenged management's estimates used in the cash flow forecasts for indications of possible bias on the part of management through our knowledge of the cash-generating units' operations, their past performance, management's growth strategies and cost initiatives. We have also compared the discount rates and growth rates used to industry benchmarks and regional indices to evaluate their appropriateness.

We have also evaluated and challenged management's assessment of the recoverability of amounts due from subsidiaries which are past due but not impaired as at the reporting date, including the assessment of any allowance for expected credit losses to be made by the Group in respect of the overdue amounts. This is undertaken by considering amongst others, available reasonable and supportive forward-looking information which includes internal credit rating, external credit rating, actual or expected significant changes in operating results, actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the ability to meet obligations and significant increases in credit risk on other financial instruments of the subsidiaries and factors such as subsequent receipts, past payment practices, ongoing business relationship and repayment schedule as agreed with the subsidiaries. We have also enquired with management on the reasons for the delay in payments on the overdue amounts.

Based on our procedures, we found management's estimates on the budgeted gross margins, discount rates and growth rates used in the cash flow forecasts to be within a reasonable range. We also found management's approach and estimates used in assessing sufficiency of allowance for expected credit losses on doubtful amounts due from subsidiaries to be balanced. We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KINGSMEN CREATIVES LTD.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- (b) Obtain an understanding of internal controls relevant to the audit 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 Group's internal controls.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KINGSMEN CREATIVES LTD.

Auditor's responsibilities for the audit of the financial statements (cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current reporting year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.

The engagement partner on the audit resulting in this independent auditor's report is Eu Chee Wei David.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

26 March 2019

Engagement partner - effective from reporting year ended 31 December 2014



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2018

	Note	Group	
		2018 \$'000	2017 \$'000
Revenue	6	360,928	307,254
Cost of sales		(278,891)	(230,056)
Gross profit		82,037	77,198
Other items of income			
Interest income	7	437	409
Other income	8	3,873	3,989
Other items of expense			
Depreciation of property, plant and equipment	15	(2,356)	(2,001)
Employee benefits expense	9	(57,682)	(55,025)
Other expenses	10	(14,418)	(14,218)
Interest expense	11	(801)	(534)
Share of result of joint venture		(16)	-
Share of results of associates		26	350
Profit before tax		11,100	10,168
Income tax expense	12	(3,742)	(996)
Profit net of tax		7,358	9,172
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale financial asset		-	9
Exchange differences on translating foreign operations, net of tax		(1,326)	(1,197)
		(1,326)	(1,188)
Items that will not be reclassified to profit or loss:			
Change in fair value of equity instrument at fair value through other comprehensive income		(1,826)	-
Defined benefit plan actuarial gain/(loss), net of tax		34	(14)
		(1,792)	(14)
Other comprehensive loss for the year, net of tax		(3,118)	(1,202)
Total comprehensive income		4,240	7,970
Profit/(loss) net of tax attributable to:			
Equity holders of the Company		8,154	9,741
Non-controlling interests		(796)	(569)
Profit net of tax		7,358	9,172
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		5,013	8,496
Non-controlling interests		(773)	(526)
Total comprehensive income		4,240	7,970
Earnings per share attributable to equity holders of the Company (cents per share)			
Basic	13	4.09	4.90
Diluted	13	4.09	4.90

The accompanying notes form an integral part of these financial statements.



STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group			Company		
	Note	2018	2017	1 January	2018	2017	1 January
		\$'000	\$'000	2017	\$'000	\$'000	2017
				\$'000			\$'000
ASSETS							
Non-current assets							
Land use right	14	6,495	6,738	6,981	6,495	6,738	6,981
Property, plant and equipment	15	48,580	33,536	24,610	25,781	12,553	1,404
Intangible assets	16	8,539	8,637	7,794	–	–	–
Investments in subsidiaries	17	–	–	–	30,819	27,715	25,715
Investment in joint venture	18	232	–	–	–	–	–
Investments in associates	19	6,162	6,333	5,954	3,430	3,430	3,430
Other investments	20	2,529	4,313	4,304	2,529	4,313	4,304
Trade and other receivables	21	134	139	759	–	–	–
Deferred tax assets	22	722	541	426	–	61	47
		<u>73,393</u>	<u>60,237</u>	<u>50,828</u>	<u>69,054</u>	<u>54,810</u>	<u>41,881</u>
Current assets							
Other investments	20	–	–	1,014	–	–	1,014
Inventories	23	4,169	1,583	1,607	–	–	–
Contract assets	24	25,924	15,454	23,595	–	–	–
Trade and other receivables	21	108,748	94,407	104,730	6,302	5,841	5,858
Other assets	25	1,962	1,075	1,102	102	94	174
Cash and cash equivalents	26	79,757	73,609	76,155	10,563	3,373	10,041
		<u>220,560</u>	<u>186,128</u>	<u>208,203</u>	<u>16,967</u>	<u>9,308</u>	<u>17,087</u>
Total assets		<u>293,953</u>	<u>246,365</u>	<u>259,031</u>	<u>86,021</u>	<u>64,118</u>	<u>58,968</u>
EQUITY AND LIABILITIES							
Equity attributable to equity holders of the Company							
Share capital	27	27,984	27,710	27,130	27,984	27,710	27,130
Retained earnings		98,631	95,682	91,075	34,892	31,993	27,812
Other reserves	28	(5,393)	(2,468)	(1,379)	(263)	1,563	1,554
		<u>121,222</u>	<u>120,924</u>	<u>116,826</u>	<u>62,613</u>	<u>61,266</u>	<u>56,496</u>
Non-controlling interests		177	1,126	1,844	–	–	–
Total equity		<u>121,399</u>	<u>122,050</u>	<u>118,670</u>	<u>62,613</u>	<u>61,266</u>	<u>56,496</u>
Non-current liabilities							
Trade and other payables	29	1,147	1,195	1,245	–	–	–
Other financial liabilities	30	22,510	5,468	6,807	18,425	–	–
Deferred tax liabilities	22	377	396	374	56	–	–
		<u>24,034</u>	<u>7,059</u>	<u>8,426</u>	<u>18,481</u>	<u>–</u>	<u>–</u>
Current liabilities							
Contract liabilities	24	10,305	7,330	10,521	–	–	–
Trade and other payables	29	119,642	96,816	110,660	3,687	2,852	2,472
Other financial liabilities	30	13,165	8,465	4,249	1,240	–	–
Other liabilities	31	1,670	2,489	2,607	–	–	–
Income tax payable		3,738	2,156	3,898	–	–	–
		<u>148,520</u>	<u>117,256</u>	<u>131,935</u>	<u>4,927</u>	<u>2,852</u>	<u>2,472</u>
Total liabilities		<u>172,554</u>	<u>124,315</u>	<u>140,361</u>	<u>23,408</u>	<u>2,852</u>	<u>2,472</u>
Total equity and liabilities		<u>293,953</u>	<u>246,365</u>	<u>259,031</u>	<u>86,021</u>	<u>64,118</u>	<u>58,968</u>

The accompanying notes form an integral part of these financial statements.



STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

Group	Attributable to equity holders of the Company					
	Share capital \$'000	Retained earnings \$'000	Other reserves \$'000	Equity attributable to equity holders of the Company, total \$'000	Non-controlling interests \$'000	Equity, total \$'000
Opening balance at 1 January 2018, as previously reported	27,710	97,507	(4,293)	120,924	1,126	122,050
Effect of adopting SFRS(I) (Notes 28 and 39)	–	(1,825)	1,825	–	–	–
Opening balance at 1 January 2018, as restated	27,710	95,682	(2,468)	120,924	1,126	122,050
Profit/(loss) for the year	–	8,154	–	8,154	(796)	7,358
<u>Other comprehensive income/(loss)</u>						
Change in fair value of equity instrument at fair value through other comprehensive income (Note 28)	–	–	(1,826)	(1,826)	–	(1,826)
Foreign currency translation (Note 28)	–	–	(1,347)	(1,347)	21	(1,326)
Defined benefit plan actuarial gain (Note 29)	–	32	–	32	2	34
Other comprehensive income/(loss) for the year, net of tax	–	32	(3,173)	(3,141)	23	(3,118)
Total comprehensive income/(loss) for the year	–	8,186	(3,173)	5,013	(773)	4,240
<u>Contributions by and distributions to equity holders</u>						
Ordinary shares issued pursuant to performance share scheme (Note 27)	274	–	–	274	–	274
Dividends paid on ordinary shares (Note 32)	–	(4,989)	–	(4,989)	–	(4,989)
Total contributions by and distributions to equity holders	274	(4,989)	–	(4,715)	–	(4,715)
<u>Changes in ownership interests in subsidiaries</u>						
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	(176)	(176)
Total changes in ownership interests in subsidiaries	–	–	–	–	(176)	(176)
Total transactions with equity holders in their capacity as equity holders	274	(4,989)	–	(4,715)	(176)	(4,891)
<u>Other</u>						
Appropriation to statutory reserve fund (Note 28)	–	(248)	248	–	–	–
Total other	–	(248)	248	–	–	–
Closing balance at 31 December 2018	27,984	98,631	(5,393)	121,222	177	121,399



STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

Group	Attributable to equity holders of the Company					
	Share capital \$'000	Retained earnings \$'000	Other reserves \$'000	Equity attributable to equity holders of the Company, total \$'000	Non-controlling interests \$'000	Equity, total \$'000
Opening balance at 1 January 2017, as previously reported	27,130	92,900	(3,204)	116,826	1,844	118,670
Effect of adopting SFRS(I) (Notes 28 and 39)	–	(1,825)	1,825	–	–	–
Opening balance at 1 January 2017, as restated	27,130	91,075	(1,379)	116,826	1,844	118,670
Profit/(loss) for the year	–	9,741	–	9,741	(569)	9,172
<u>Other comprehensive income/(loss)</u>						
Change in fair value of available-for-sale financial asset (Note 28)	–	–	9	9	–	9
Foreign currency translation (Note 28)	–	–	(1,241)	(1,241)	44	(1,197)
Defined benefit plan actuarial loss (Note 29)	–	(13)	–	(13)	(1)	(14)
Other comprehensive (loss)/income for the year, net of tax	–	(13)	(1,232)	(1,245)	43	(1,202)
Total comprehensive income/(loss) for the year	–	9,728	(1,232)	8,496	(526)	7,970
<u>Contributions by and distributions to equity holders</u>						
Ordinary shares issued pursuant to performance share scheme (Note 27)	580	–	–	580	–	580
Dividends paid on ordinary shares (Note 32)	–	(4,978)	–	(4,978)	–	(4,978)
Total contributions by and distributions to equity holders	580	(4,978)	–	(4,398)	–	(4,398)
<u>Changes in ownership interests in subsidiaries</u>						
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	(192)	(192)
Total changes in ownership interests in subsidiaries	–	–	–	–	(192)	(192)
Total transactions with equity holders in their capacity as equity holders	580	(4,978)	–	(4,398)	(192)	(4,590)
<u>Other</u>						
Appropriation to statutory reserve fund (Note 28)	–	(143)	143	–	–	–
Total other	–	(143)	143	–	–	–
Closing balance at 31 December 2017	27,710	95,682	(2,468)	120,924	1,126	122,050



STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

Company	Attributable to equity holders of the Company			
	Share capital \$'000	Retained earnings \$'000	Other reserves \$'000	Equity, total \$'000
Opening balance at 1 January 2018	27,710	31,993	1,563	61,266
Profit for the year	–	7,888	–	7,888
<u>Other comprehensive loss</u>				
Change in fair value of equity instrument at fair value through other comprehensive income (Note 28)	–	–	(1,826)	(1,826)
Other comprehensive loss for the year, net of tax	–	–	(1,826)	(1,826)
Total comprehensive income/(loss) for the year	–	7,888	(1,826)	6,062
<u>Contributions by and distributions to equity holders</u>				
Ordinary shares issued pursuant to performance share scheme (Note 27)	274	–	–	274
Dividends paid on ordinary shares (Note 32)	–	(4,989)	–	(4,989)
Total contributions by and distributions to equity holders	274	(4,989)	–	(4,715)
Total transactions with equity holders in their capacity as equity holders	274	(4,989)	–	(4,715)
Closing balance at 31 December 2018	27,984	34,892	(263)	62,613
Opening balance at 1 January 2017	27,130	27,812	1,554	56,496
Profit for the year	–	9,159	–	9,159
<u>Other comprehensive income</u>				
Change in fair value of available-for-sale financial asset (Note 28)	–	–	9	9
Other comprehensive income for the year, net of tax	–	–	9	9
Total comprehensive income for the year	–	9,159	9	9,168
<u>Contributions by and distributions to equity holders</u>				
Ordinary shares issued pursuant to performance share scheme (Note 27)	580	–	–	580
Dividends paid on ordinary shares (Note 32)	–	(4,978)	–	(4,978)
Total contributions by and distributions to equity holders	580	(4,978)	–	(4,398)
Total transactions with equity holders in their capacity as equity holders	580	(4,978)	–	(4,398)
Closing balance at 31 December 2017	27,710	31,993	1,563	61,266

The accompanying notes form an integral part of these financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2018

	Group	
	2018	2017
	\$'000	\$'000
Cash flows from operating activities		
Profit before tax	11,100	10,168
Adjustments for:		
Amortisation of intangible assets	195	91
Amortisation of land use right	243	243
Bad trade debts written off	769	437
Depreciation of property, plant and equipment	3,233	3,135
Dividend income from available-for-sale financial asset	–	(80)
Dividend income from equity instrument at fair value through other comprehensive income	(47)	–
Impairment loss on held-to-maturity investment	–	14
Net impairment loss/(write-back of impairment loss) on doubtful trade receivables	510	(22)
Net loss/(gain) on disposal of property, plant and equipment	20	(1)
Performance share scheme expense	348	120
Property, plant and equipment written off	38	1
Interest income	(437)	(409)
Interest expense	801	534
Share of result of joint venture	16	–
Share of results of associates	(26)	(350)
Currency realignment	(680)	1,023
Operating cash flows before changes in working capital	16,083	14,904
(Increase)/decrease in:		
Inventories	(2,586)	24
Contract assets	(10,470)	8,141
Trade and other receivables	(15,615)	10,528
Other assets	(886)	(16)
Increase/(decrease) in:		
Contract liabilities	2,975	(3,191)
Trade and other payables	22,824	(14,050)
Other liabilities	(893)	342
Net cash flows from operations	11,432	16,682
Interest received	437	409
Interest paid	(801)	(534)
Income taxes paid	(2,194)	(2,791)
Net cash flows from operating activities	8,874	13,766



CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2018

	Group	
	2018	2017
	\$'000	\$'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(18,459)	(12,077)
Proceeds from disposal of property, plant and equipment	81	138
Proceed from maturity of held-to-maturity investment	–	1,000
Acquisition of intangible asset	–	(1,337)
Investment in joint venture	(246)	–
Dividend income from available-for-sale financial asset	–	80
Dividend income from equity instrument at fair value through other comprehensive income	5	–
Dividend income from an associate	60	150
Net cash flows used in investing activities	<u>(18,559)</u>	<u>(12,046)</u>
Cash flows from financing activities		
Dividends paid on ordinary shares	(4,989)	(4,978)
Dividends paid to non-controlling interests of subsidiaries	(176)	(192)
Proceeds from draw down of loans and borrowings	31,301	8,899
Repayment of loans and borrowings	(9,616)	(6,209)
Repayment of finance lease obligation	(1)	(6)
Decrease/(increase) in deposits pledged for bank facilities	287	(932)
Net cash flows from/(used in) financing activities	<u>16,806</u>	<u>(3,418)</u>
Net increase/(decrease) in cash and cash equivalents	7,121	(1,698)
Effect of exchange rate changes on cash and cash equivalents	(686)	(1,780)
Cash and cash equivalents at beginning of year	71,073	74,551
Cash and cash equivalents at end of year (Note 26)	<u>77,508</u>	<u>71,073</u>

The accompanying notes form an integral part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

1. GENERAL

Kingsmen Creatives Ltd. (the "Company") is a limited liability company incorporated in the Republic of Singapore and is listed on the Singapore Exchange Securities Trading Limited. The registered office and principal place of business of the Company is located at 22 Changi Business Park Central 2, The Kingsmen Experience, Singapore 486032.

The principal activities of the Company are investment holding and the provision of corporate marketing and other related services. The principal activities of the subsidiaries are disclosed in the note on investments in subsidiaries.

The financial statements are presented in Singapore dollars ("SGD" or "\$") and all values are rounded to the nearest thousand (\$'000) except when otherwise indicated and they cover the Company and the subsidiaries. The board of directors approved and authorised these financial statements for issue on the date of the directors' statement.

2. SIGNIFICANT ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)") as issued by the Singapore Accounting Standards Council, and the Singapore Companies Act, Cap. 50. These are the first financial statements prepared in accordance with the SFRS(I), and the SFRS(I) 1 First-time Adoption of SFRS(I) has been applied. For all reporting periods up to and including the reporting year ended 31 December 2017, the financial statements were prepared in accordance with the Singapore Financial Reporting Standards ("FRS"). An explanation of how the transition from FRS to SFRS(I) have affected the reported financial statements is provided in Note 39.

The financial statements are prepared on a going concern basis under the historical cost convention except where an SFRS(I) requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies which are in accordance with SFRS(I) need not be applied when the effects of applying them are immaterial. The disclosures required by SFRS(I) need not be made if the information resulting from those disclosures are not material. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in the income statement, as required or permitted by SFRS(I). Reclassification adjustments are amounts reclassified to profit or loss in the income statement in the current period that were recognised in other comprehensive income in the current or previous periods.

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting period of the Company and its subsidiaries (collectively, the "Group"). The consolidated financial statements are the financial statements of the Group in which the assets, liabilities, equity, income, expenses and cash flows of the Company and its subsidiaries are presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including income, expenses and cash flows are eliminated on consolidation. Subsidiaries are consolidated from the date the Group obtains control of the investee and cease when the Group loses control of the investee. Control exists when the Group has the power to govern the financial and operating policies so as to gain benefits from its activities. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Changes in the Group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the Group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the Group loses control of a subsidiary, it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as a jointly-controlled entity, an associate or a financial asset in accordance with SFRS(I) 9 Financial Instruments.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of presentation (cont'd)

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation prior to 1 January 2010:

- Acquisition of non-controlling interests, prior to 1 January 2010, was accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these losses. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investments as at 1 January 2010 has not been restated.

The Company's separate financial statements have been prepared on the same basis, and as permitted by the Singapore Companies Act, Cap. 50, the Company's separate statement of profit or loss and other comprehensive income is not presented.

Basis of preparation of the financial statements

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations and assumptions, management has made judgements in the process of applying the Group's accounting policies. The areas requiring management's subjective or complex judgements, or areas where estimates and assumptions are significant to the financial statements, are disclosed in the note on critical judgements, assumptions and estimation uncertainties.

Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of any related sales taxes and rebates and excluding amounts collected on behalf of third parties.

- Revenue from construction contracts is recognised in accordance with the accounting policy on construction contracts (see next note below).
- Revenue from sale of goods is recognised at a point in time when the performance obligation is satisfied by transferring a promised good to the customer which is when the customer obtains control of the good, generally on delivery of the goods.
- Revenue from rendering of services is recognised at a point in time when the performance obligation is satisfied which is when the significant acts have been completed and transfer of control occurs. For services that are not significant transactions, revenue is recognised as the services are provided.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue recognition (cont'd)

- Rental revenue is recognised on a time-proportion basis that takes into account the effective yield on the asset on a straight-line basis over the lease term.
- Interest income is recognised using the effective interest method.
- Dividend income from equity instruments is recognised when the Group's right to receive payment is established.

Construction contracts

The Group principally operates fixed price contracts. At contract inception, the Group assesses whether the Group transfers control over time or at a point in time by determining if (a) its performance creates or enhances an asset (for example, work-in-progress) that the customer controls as the asset is created or enhanced; or (b) its performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Where the customer controls the asset as it is created or enhanced; or the asset has no alternative use for the Group due to contractual restriction and the Group has enforceable rights to payment arising from the contractual terms, revenue is recognised over time by reference to the Group's progress towards completing the construction of the contract. The measure of progress is determined based on reference to certification of value of work performed to date. Where there is no certification of value available, the measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs. Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred. If the value of the contract transferred by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the value of the contract transferred, a contract liability is recognised.

For contract where the Group does not have enforceable right to payment, revenue is recognised only when the completed contract is delivered to the customers and the customers have accepted it in accordance with the sales contract.

The period between the transfer of the completed contract and payment by the customer may exceed one year. For such contract, there is no significant financing component present as the payment term is an industry practice to protect the customer from the Group's failure to adequately complete some or all of its obligations under the contract. As a consequence, the Group does not adjust the transaction price for the time value of money.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (eg. Inventories), these costs are accounted for in accordance with those other SFRS(I). If these costs are not within the scope of another SFRS(I), the Group will capitalise these costs as contract costs assets only if (a) these costs relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Construction contracts (cont'd)

Contract modifications are accounted as follows:

- Contract modifications that add distinct goods or services at their standalone selling prices are accounted for as separate contracts;
- Contract modifications that add distinct goods or services but not at their standalone selling prices are accounted for as a continuation of the existing contract. The Group combines the remaining consideration in the original contract with the consideration promised in the modification to create a new transaction price that is then allocated to all remaining performance obligations.
- Contract modifications that do not add distinct goods or services are accounted for as a continuation of the original contract and the change is recognised as a cumulative adjustment to revenue at the date of modification.

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Employee benefits

Contributions to defined contribution retirement benefit plans are recorded as an expense as they fall due. The Group's legal or constructive obligation is limited to the amount that it is obligated to contribute to independently administered funds, such as the Central Provident Fund in Singapore and the Employees Provident Fund in Malaysia.

The Group operates an unfunded defined benefit plan for qualifying employees of its subsidiary in Indonesia. In accordance with the terms of their employment contracts, the benefits are calculated based on the last drawn salaries, length of services and rates set out in the relevant legislation. The Group's obligations under the defined benefit plan, calculated using the projected unit credit method, are determined based on actuarial assumptions and computations. Actuarial assumptions are updated for any material transactions and changes in circumstances at the end of each reporting period.

For employee leave entitlement, the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur.

A liability for bonuses is recognised where the Group is contractually obliged or where there is constructive obligation based on past practice.

Share-based compensation

Benefits to employees are also provided in the form of share-based payment transactions, whereby employees render services in exchange for shares. As there is no vesting period, the fair value of the employee services rendered is measured by reference to the fair value of the shares granted on the date of the grant which is expected to be the prevailing market price per share on the date of grant multiplied by the number of shares under each grant. This fair value amount is charged to profit or loss on the date of grant as an expense in the Group's income statement with a corresponding adjustment to the share capital account when new shares are issued, or to treasury shares account when treasury shares are re-issued to the employees.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income tax

Income taxes are accounted for using the asset and liability method that requires the recognition of taxes payable or refundable for the current reporting period and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantively enacted tax laws at the end of each reporting period; the effects of future changes in tax laws or rates are not anticipated. Tax expense/(tax income) is the aggregate amount included in the determination of profit or loss for the reporting period in respect of current tax and deferred tax. Current tax and deferred tax are recognised as an income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss, the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries, joint ventures and associates except where the Group is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

Foreign currency transactions and balances

The functional currency of the Company is the Singapore dollar as it reflects the primary economic environment in which the Company operates.

Transactions in foreign currencies are recorded in the functional currency at the exchange rates ruling at the dates of the transactions. At the end of each reporting period, recorded monetary balances, balances measured at historical cost and balances measured at fair value that are denominated in non-functional currencies are reported at the exchange rates ruling at the end of the reporting period, initial transaction dates and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss, except when recognised in other comprehensive income.

The presentation currency is the functional currency.

Translation of financial statements of other entities

Each entity in the Group determines its appropriate functional currency to reflect the primary economic environment in which the entity operates in. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency i.e. the Singapore dollar, the assets and liabilities denominated in other currencies are translated at the exchange rates ruling at the end of the reporting period and the profit or loss items are translated at average exchange rates for the reporting period. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that entity.

The step-by-step method is used whereby the financial statements of the foreign operation are first translated into the functional currency of any intermediate holding company/companies and then translated into the functional currency of the Company.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Segment reporting

The Group discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision makers in deciding how to allocate resources and in assessing the performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Subsidiaries

A subsidiary is an entity that is controlled by the Group and the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the Group has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the Group controls another entity.

In the Company's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary 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. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

Joint ventures and associates

An associate is an entity in which the Group has a significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An investment in a joint venture or an associate includes goodwill on acquisition, which is accounted for in accordance with SFRS(I) 3 Business Combinations. However, the entire carrying amount of the investment is tested under SFRS(I) 1-36 Impairment of Assets for impairment, by comparing its recoverable amount (higher of value in use and fair value) with its carrying amount, whenever application of the requirements in SFRS(I) 9 Financial Instruments indicates that the investment may be impaired.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Joint ventures and associates (cont'd)

In the consolidated financial statements, investment in a joint venture or an associate is accounted for using the equity method. Under the equity method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of the joint venture's or associate's net assets. Goodwill relating to a joint venture or an associate is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the joint venture's or associate's identifiable assets, liabilities and contingent liabilities over the cost of 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 joint venture or associate in the period in which the investment is acquired. The Group's profit or loss includes its share of the joint venture's or associate's profit or loss and the Group's other comprehensive income includes its share of the joint venture's or associate's other comprehensive income. Distributions received from a joint venture or an associate reduce the carrying amount of the investment. Losses of a joint venture or an associate in excess of the Group's interest in the joint venture or associate are not recognised except to the extent that the Group has an obligation. Profits and losses resulting from transactions between the Group and a joint venture or an associate are recognised in the financial statements only to the extent of the Group's unrelated interests in the joint venture or associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The financial statements of the joint venture or associate are prepared as of the same reporting date as the Company. Accounting policies of the joint venture or associate are changed where necessary to ensure consistency with the policies adopted by the Group. The Group discontinues the use of the equity method of accounting from the date when its investment ceases to be a joint venture or an associate and accounts for the investment as a financial asset in accordance with SFRS(I) 9 Financial Instruments from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former joint venture or associate is measured at fair value at the date that it ceases to be a joint venture or an associate.

In the Company's separate financial statements, an investment in a joint venture or an associate is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a joint venture or an associate 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. The carrying value and the net book value of the investment in a joint venture or an associate are not necessarily indicative of the amount that would be realised in a current market exchange.

Business combinations

A business combination is a transaction or other event which requires that the assets acquired and liabilities assumed constitute a business. It is accounted for by applying the acquisition method of accounting.

The cost of a business combination includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. The acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received. At acquisition date, the acquirer recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree measured at acquisition date fair values as defined in and that meet the conditions for recognition under SFRS(I) 3 Business Combinations. If the acquirer has made a gain from a bargain purchase, that gain is recognised in profit or loss. For gain on bargain purchase, a reassessment is made of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination and any excess remaining after this reassessment is recognised immediately in profit or loss.

For business combinations achieved in stages, any equity interest held in the acquiree is remeasured immediately before achieving control at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Business combinations (cont'd)

Where the fair values are measured on a provisional basis, they are finalised within one year from the acquisition date with consequent retrospective changes to the amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

Goodwill and fair value adjustments resulting from the application of acquisition method of accounting at the date of acquisition are treated as assets and liabilities of the acquired entity and are recorded at the exchange rates prevailing at the acquisition date and are subsequently translated at the exchange rates ruling at the end of the reporting period.

In comparison to the above mentioned requirements, the following differences were applied to business combinations prior to 1 January 2010:

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 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. Any additional acquired share of interest did not affect previously recognised goodwill.

Non-controlling interests

Non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the Group as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the Company. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Goodwill is recognised as of the acquisition date and measured as the excess of (a) over (b); (a) being the aggregate of: (i) the consideration transferred measured at acquisition date fair value; (ii) the amount of any non-controlling interest in the acquiree measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets; and (iii) in a business combination achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree; and (b) being the net of the identifiable assets acquired and the liabilities assumed measured at acquisition date fair values in accordance with SFRS(I) 3 Business Combinations.

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment at least annually. Goodwill impairment is not reversed in any circumstances.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Goodwill (cont'd)

For the purpose of impairment testing and since the acquisition date of the business combination, goodwill is allocated to each cash-generating unit, or groups of cash-generating units that are expected to benefit from the synergies of the business combination, irrespective of whether other assets or liabilities of the acquiree were assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than a segment.

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 on translation of financial statements of other entities.

Goodwill and fair value adjustments which arose on the acquisition 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.

Land use right

Land use right is initially measured at cost. Following initial recognition, land use right is measured at cost less any accumulated amortisation and accumulated impairment losses. The land use right is amortised on a straight-line basis over the lease term of 30 years.

Property, plant and equipment

Property, plant and equipment are carried at cost on initial recognition and after initial recognition, other than freehold land, at cost less any accumulated depreciation and accumulated impairment losses. The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Cost includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when 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. All other repairs and maintenance are charged to profit or loss when they are incurred.

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. Freehold land has an unlimited useful life and therefore is not depreciated. The estimated annual rates of depreciation are as follows:

Buildings	-	2% - 3.67%
Machinery and exhibition equipment	-	10% - 50%
Office equipment, computers and software	-	10% - 33.33%
Motor vehicles	-	10% - 25%
Furniture and fittings	-	8% - 20%
Renovations	-	10% - 30%



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, plant and equipment (cont'd)

Assets under construction included in property, plant and equipment are not depreciated as these assets are not available for use.

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising from the derecognition of an item of property, plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss.

The residual value, useful life and depreciation method of an asset are reviewed at least at the end of each reporting period and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Leases

Whether an arrangement is, or contains, a lease, it is based on the substance of the arrangement at the inception date, that is, whether (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets; or (b) the arrangement conveys a right to use the asset.

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is not practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting periods in which they are incurred. The assets are depreciated as owned depreciable assets 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.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Intangible assets

An identifiable non-monetary asset without physical substance is recognised as an intangible asset at acquisition cost if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. After initial recognition, an intangible asset with finite useful life is carried at cost less any accumulated amortisation and accumulated impairment losses. Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. 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 amounts may be impaired individually or at the cash-generating unit level. An intangible asset with an indefinite useful life is 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. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

The amortisable amount of an intangible asset with finite useful life is allocated on a systematic basis over the best estimate of its useful life from the point at which the asset is ready for use. The amortisation period and amortisation method are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The estimated useful lives are as follows:

Customer relationships	-	5 and 6 years
Licence	-	13 years

Identifiable intangible assets acquired as part of a business combination are initially recognised separately from goodwill if the asset's fair value can be measured reliably, irrespective of whether the asset had been recognised by the acquiree before the business combination. An intangible asset is considered identifiable only if it is separable or if it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the acquiree or from other rights and obligations.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at the end of each reporting period for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount.

The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The Group bases its impairment calculations on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of three years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the third year.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of non-financial assets (cont'd)

At the end of each reporting period, non-financial assets, other than goodwill, with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversal is recognised in profit or loss.

Inventories

Inventories are measured at the lower of cost (weighted average method) and net realisable value. Cost includes all costs of purchase, costs of conversion and other 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 the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made where the cost is not recoverable or if the selling prices have declined.

Financial assets

A financial asset is recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. The initial recognition of financial asset is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial asset classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

The Group's financial assets include investments in debt instruments at amortised cost and investments in equity instruments at fair value through other comprehensive income. Subsequent measurement of the financial assets is as follows:

Investments in debt instruments at amortised cost

Investments in debt instruments that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

Investments in equity instruments at fair value through other comprehensive income

On initial recognition of investments in equity instruments that are not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in other comprehensive income, changes in fair value are recognised in profit or loss.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of an investment in debt instrument at amortised cost, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss. On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at fair value through other comprehensive income, the cumulative gain or loss that had been recognised in other comprehensive income is not reclassified to profit or loss but is transferred to retained earnings.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised costs and contract assets. ECL is based on the difference between contracted cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the assets. ECL is recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL is provided for credit losses that result from default events that are possible within the next twelve months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (lifetime ECL).

To the extent that it is feasible, the Group assesses credit risk on assets on an individual basis. In cases where that process is not feasible, a collective assessment is performed. The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. The Group considers an asset to be in default when the counterparty is unlikely to pay its credit obligations to the Group in full, without recourse actions by the Group, if any. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information which includes internal credit rating, external credit rating, actual or expected significant changes in the operating results, actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the ability to meet obligations and significant increases in credit risk on other financial instruments of the counterparty. The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk of an asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise. The asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows, the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

Classification of equity and liabilities

A financial instrument is classified as a liability or as equity in accordance with the substance of the contractual arrangement on initial recognition. Equity instruments are contracts that give a residual interest in the net assets of the Group. Where the financial instrument does not give rise to a contractual obligation on the part of the issuer to make payment in cash or kind under conditions that are potentially unfavourable, it is classified as an equity instrument. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of incremental costs directly attributable to the transaction. Dividends on equity are recognised as liabilities when they are declared. Interim dividends are recognised when declared by the directors.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Treasury shares

Where the Company reacquires its own equity instruments as treasury shares, the consideration paid, including any directly attributable incremental cost is deducted from equity attributable to the Company's owners until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners and no gain or loss is recognised in profit or loss. Voting rights relating to the treasury shares are nullified for the Company and no dividends are allocated to them.

Financial liabilities

A financial liability is recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

After initial recognition, all changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred. Financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses on such financial liabilities are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. On derecognition, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

Fair value measurement

Fair value is taken to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (that is, an exit price). It is a market-based measurement, not an entity-specific measurement. When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Group's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes to the financial statements); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fair value measurement (cont'd)

The fair value measurements and related disclosures categorise the inputs to valuation techniques used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless stated otherwise in the relevant notes to the financial statements. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of each reporting period. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

The disclosures of fair value of current financial instruments are not made when the carrying amounts of these current financial instruments are reasonable approximation of their fair values. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of each reporting period and in the event, the fair values are disclosed in the relevant notes to the financial statements.

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimate of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting period they occur.

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 statement of financial position, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.



NOTES TO THE FINANCIAL STATEMENTS

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3. CRITICAL JUDGEMENTS, ASSUMPTIONS AND ESTIMATION UNCERTAINTIES

The critical judgements made in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting period are discussed below. These judgements, assumptions and estimates are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Income taxes

The Group recognises tax liabilities and tax assets based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition, judgement is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised if it is probable that the Group will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the Group expects to recover the asset's carrying value or settle the liability. As a result, due to their inherent nature, assessments of likelihood are judgemental and not susceptible to precise determination. The income tax amounts are disclosed in the notes on income tax and deferred tax.

Construction contracts

The Group recognises contract revenue over time by reference to the Group's progress towards completing the construction of the contract. The measure of progress is determined based on reference to certification of value of work performed to date ("output method"). Where there is no certification of value available, the measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ("input method"). Significant assumptions and judgements are used to estimate the total contract costs to complete which are used in the input method to determine the Group's recognition of contract revenue. The estimated total contract costs are reviewed every reporting period and adjusted where necessary, with the corresponding adjustment to profit margin being recognised prospectively from the date of change. The estimates are made based on past experience and the work of specialists. Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred. When it is probable that the total contract costs will exceed the total contract revenue, a provision for onerous contracts is recognised immediately. The carrying amount of assets and liabilities arising from construction contracts at the end of the reporting year are disclosed in the notes on contract assets and contract liabilities.

Unbilled contract revenue

Costs and estimated profits in excess of billings on uncompleted contracts include amounts that management seek or will seek to collect from customers or others, which may include amounts for changes in contract specifications or design, contracts in dispute or other unanticipated additional contract costs. Such amounts are recorded at estimated net realisable value and take into account factors that may affect the Group's ability to bill unbilled revenues and collect amounts after billing.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

3. CRITICAL JUDGEMENTS, ASSUMPTIONS AND ESTIMATION UNCERTAINTIES (CONT'D)

Provision for inventory obsolescence

A review is made periodically on inventories for obsolescence, excess inventories and declines in net realisable value below cost and an allowance is recorded against the carrying amount of inventories for any such obsolescence, excess and declines. These reviews require management to consider the future demand for the inventories. In any case, the realisable value represents the best estimate of the recoverable amount and is based on acceptable evidence available at the end of each reporting period and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write-down include expected usage, ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and may materially affect the carrying amount of inventories at the end of each reporting period. Possible changes in these estimates could result in revisions to the carrying amount of the inventories. The carrying amount of inventories at the end of the reporting year is disclosed in the note on inventories.

Impairment of debt instruments at amortised cost and contract assets

An allowance for expected credit losses ("ECL") is made for doubtful debt instruments at amortised cost and contract assets resulting from the subsequent inability of the counterparties to make required payments. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the assets. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL is provided for credit losses that result from default events that are possible within the next twelve months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (lifetime ECL). At the end of each reporting period, the carrying amount of debt instruments at amortised cost and contract assets approximates the fair value but the carrying amount might change materially within the next reporting period and these changes may arise from assumptions or other sources of estimation uncertainty at the end of the previous reporting period. The carrying amount of debt instruments at amortised costs at the end of the reporting year is disclosed in the notes on trade and other receivables and cash and cash equivalents, and the carrying amount of contract assets at the end of the reporting year is disclosed in the note on contract assets.

Impairment of property, plant and equipment

An assessment is made at the end of each reporting period to determine whether there is any indication that property, plant and equipment may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the assets which are determined based on fair value less cost of disposal or value in use calculations. These calculations require the use of estimates. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting period that are different from assumptions could require a material adjustment to the carrying amount of property, plant and equipment disclosed in the note on property, plant and equipment.

Useful lives of property, plant and equipment

The estimates for the useful lives and related depreciation charges for property, plant and equipment are based on commercial and other factors which could change significantly as a result of innovations and in response to market conditions. The depreciation charge is revised where useful lives are different from previously estimated lives, or the carrying amounts impaired for technically obsolete items or assets that have been abandoned. The carrying amount of property, plant and equipment at the end of the reporting year is disclosed in the note on property, plant and equipment.

Impairment of intangible assets

An assessment is made at least annually to determine whether intangible assets have suffered any impairment loss. The assessment process is complex and highly judgemental and is based on assumptions that are affected by expected future market or economic conditions. Judgement is required in evaluating the assumptions and methodologies used by management as disclosed in the note on intangible assets. Actual outcomes could vary from these estimates.



NOTES TO THE FINANCIAL STATEMENTS

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3. CRITICAL JUDGEMENTS, ASSUMPTIONS AND ESTIMATION UNCERTAINTIES (CONT'D)

Impairment of investments in subsidiaries, joint venture and associates

When a subsidiary, a joint venture or an associate is in net equity deficit and/or has suffered operating losses, the recoverable amount of the investee is estimated to assess whether the investment in the investee has suffered any impairment. This determination requires significant judgement. An estimate is made of the future profitability of the investee and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance and operational and financing cash flow. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting period that are different from assumptions could require adjustments to the carrying amount of the investments in subsidiaries, joint venture and associates. The carrying amount of investments in subsidiaries, joint venture and associates at the end of the reporting year is disclosed in the notes on investments in subsidiaries, investment in joint venture and investments in associates respectively.

4. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

SFRS(I) 1-24 Related Party Disclosures requires the Group to disclose transactions with its related parties and relationships between parents and subsidiaries irrespective of whether there have been transactions between these related parties. A party is related to another party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

In these financial statements, related companies comprise subsidiaries, joint venture and associates within the Group and related parties comprise directors of the Company, key management personnel of the Group, entities in which directors of the Company have significant influence or control and entities in which the Company has equity interest.

There are transactions and arrangements between the Group and the related companies and related parties and the effects of these on the basis determined between the related companies and related parties are reflected in these financial statements.

Intragroup transactions and balances that have been eliminated in the consolidated financial statements are not disclosed as related company transactions and balances.

In addition to the transactions disclosed elsewhere in the notes to the financial statements, significant related company and party transactions include the following:

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
<u>Associates</u>				
Sales	920	1,973	–	–
Purchases	5,406	4,232	–	–
Corporate fee income	300	284	300	284
Dividend income	60	150	60	150
Rental income	16	–	16	–
<u>Related parties</u>				
Sales	2,248	146	–	–
Purchases	379	414	27	–
Corporate fee income	226	225	226	225
Dividend income	47	80	47	80



NOTES TO THE FINANCIAL STATEMENTS

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4. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

Key management personnel compensation

	Group	
	2018 \$'000	2017 \$'000
Salaries and other short-term employee benefits	9,132	7,669
Comprise amounts paid/payable to:		
- Directors of the Company	3,469	3,514
- Other key management personnel	5,663	4,155

Key management personnel are the directors and those persons having authority and responsibility over the activities of the Group. Key management personnel compensation is included under employee benefits expense.

2.

5. SEGMENT INFORMATION

Disclosure of information about the operating segments, products and services, geographical areas and major customers are made as required by SFRS(I) 8 Operating Segments. This disclosure standard has no impact on the reported results or financial position of the Group.

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

- (a) The Exhibitions and Thematic segment relates to the production of exhibition displays for trade shows and promotional events, interiors and displays for museums and visitor centres and thematic and scenic displays for theme parks, as well as the development, ownership and marketing of intellectual property for experiential and themed attractions.
- (b) The Retail and Corporate Interiors segment relates to the provision of interior fitting-out services to retail and commercial properties.
- (c) The Research and Design segment relates to design works for upmarket specialty stores, departmental stores, eateries, museums, visitors' centres, corporate offices, showrooms, trade shows, events, promotional functions and festivals.
- (d) The Alternative Marketing segment relates to event management, branding consultancy services and custom publishing.
- (e) The Corporate and Others segment relates to Group-level corporate services.

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

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated by the chief operating decision makers based on operating profit or loss. 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.

Segment assets and liabilities are not disclosed as they are not regularly provided to the chief operating decision makers.



NOTES TO THE FINANCIAL STATEMENTS

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5. SEGMENT INFORMATION (CONT'D)

The tables below illustrate the information about the reportable segment profit or loss.

Group	Exhibitions and Thematic \$'000	Retail and Corporate Interiors \$'000	Research and Design \$'000	Alternative Marketing \$'000	Corporate and Others \$'000	Eliminations \$'000	Per Consolidated Financial Statements \$'000
2018							
Revenue							
External customers	160,253	171,983	17,123	11,569	–	–	360,928
Inter-segment (Note A)	4,219	10,721	–	900	–	(15,840)	–
Total revenue	164,472	182,704	17,123	12,469	–	(15,840)	360,928
Results							
Interest income	175	221	23	3	15	–	437
Interest expense	(70)	(479)	–	–	(252)	–	(801)
Amortisation of intangible assets	(149)	(46)	–	–	–	–	(195)
Amortisation of land use right	–	–	–	–	(243)	–	(243)
Bad trade debts written off	(758)	(11)	–	–	–	–	(769)
Depreciation of property, plant and equipment	(1,308)	(1,214)	(201)	(32)	(478)	–	(3,233)
Dividend income from equity instrument at fair value through other comprehensive income	–	–	–	–	47	–	47
Net gain/(loss) on disposal of property, plant and equipment	7	(2)	–	(25)	–	–	(20)
Net impairment loss on doubtful trade receivables	(307)	(182)	–	(21)	–	–	(510)
Performance share scheme expense	(173)	(114)	(39)	(22)	–	–	(348)
Property, plant and equipment written off	(24)	(8)	(3)	(3)	–	–	(38)
Share of result of joint venture	(16)	–	–	–	–	–	(16)
Share of results of associates	(37)	58	5	–	–	–	26
Segment profit/(loss)	3,491	6,529	1,977	561	(1,458)	–	11,100



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

5. SEGMENT INFORMATION (CONT'D)

Group	Exhibitions and Thematic \$'000	Retail and Corporate Interiors \$'000	Research and Design \$'000	Alternative Marketing \$'000	Corporate and Others \$'000	Eliminations \$'000	Per Consolidated Financial Statements \$'000
2017							
Revenue							
External customers	136,772	143,173	15,521	11,788	–		307,254
Inter-segment (Note A)	4,758	5,194	–	704	–	(10,656)	–
Total revenue	<u>141,530</u>	<u>148,367</u>	<u>15,521</u>	<u>12,492</u>	<u>–</u>	<u>(10,656)</u>	<u>307,254</u>
Results							
Interest income	134	180	14	3	78		409
Interest expense	(93)	(441)	–	–	–		(534)
Amortisation of intangible asset	(45)	(46)	–	–	–		(91)
Amortisation of land use right	–	–	–	–	(243)		(243)
Bad trade debts written off	(428)	(4)	(5)	–	–		(437)
Depreciation of property, plant and equipment	(1,682)	(1,198)	(145)	(42)	(68)		(3,135)
Dividend income from available-for-sale financial asset	–	–	–	–	80		80
Impairment loss on held- to-maturity investment	–	–	–	–	(14)		(14)
Net (loss)/gain on disposal of property, plant and equipment	–	(9)	–	–	10		1
Net write-back of impairment loss on doubtful trade receivables	22	–	–	–	–		22
Performance share scheme expense	(50)	(14)	(24)	(32)	–		(120)
Property, plant and equipment written off	–	–	–	–	(1)		(1)
Share of results of associates	169	172	9	–	–		350
Segment profit/(loss)	<u>5,934</u>	<u>3,431</u>	<u>1,342</u>	<u>851</u>	<u>(1,390)</u>		<u>10,168</u>

Note: Nature of eliminations to arrive at amounts reported in the consolidated financial statements is as follows:

A. Inter-segment revenue are eliminated on consolidation.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

5. 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.

	Group	
	2018	2017
	\$'000	\$'000
Revenue by geographical location are as follows:		
South Asia *	191,567	163,428
North Asia **	124,008	92,282
Middle East	11,161	17,772
United States and Canada	19,986	15,971
Europe	11,479	14,602
Others	2,727	3,199
	360,928	307,254

* Included revenue of \$124,401,000 (2017: \$110,347,000) for Singapore.

** Included revenue of \$78,101,000 (2017: \$56,859,000) for People's Republic of China.

Information about major customers

For the reporting years ended 31 December 2018 and 2017, the Group does not have revenue from transactions with a single customer that amounted to 10 per cent or more of the Group's revenue.

6. REVENUE

	Group	
	2018	2017
	\$'000	\$'000
Contract revenue	358,420	303,762
Sale of goods	1,475	3,171
Rental of equipment	1,033	321
	360,928	307,254



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

6. REVENUE (CONT'D)

Disaggregation of 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.

Segments	Exhibitions and Thematic		Retail and Corporate Interiors		Research and Design		Alternative Marketing		Total Revenue	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Group	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Geographical location</u>										
South Asia	82,626	61,462	86,413	81,277	10,959	8,901	11,569	11,788	191,567	163,428
North Asia	54,289	47,075	65,330	41,064	4,389	4,143	-	-	124,008	92,282
Middle East	8,662	11,389	2,360	5,790	139	593	-	-	11,161	17,772
United States and Canada	4,528	4,566	15,093	11,232	365	173	-	-	19,986	15,971
Europe	9,609	11,876	868	1,404	1,002	1,322	-	-	11,479	14,602
Others	539	404	1,919	2,406	269	389	-	-	2,727	3,199
	<u>160,253</u>	<u>136,772</u>	<u>171,983</u>	<u>143,173</u>	<u>17,123</u>	<u>15,521</u>	<u>11,569</u>	<u>11,788</u>	<u>360,928</u>	<u>307,254</u>

7. INTEREST INCOME

	Group	
	2018	2017
	\$'000	\$'000
Interest income from loans and receivables		
- Short-term deposits and bank balances	-	352
- Others	-	25
Interest income from debt instruments at amortised cost		
- Short-term deposits and bank balances	435	-
- Others	2	-
Interest income from held-to-maturity investment	-	32
	<u>437</u>	<u>409</u>



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

8. OTHER INCOME

	Group	
	2018	2017
	\$'000	\$'000
Corporate fee income	526	509
Dividend income from available-for-sale financial asset	–	80
Dividend income from equity instrument at fair value through other comprehensive income	47	–
Net foreign exchange gain	1,037	–
Net gain on disposal of property, plant and equipment	–	1
Rental income	1,566	1,683
Service income	190	1,224
Write-back of impairment loss on doubtful trade receivables	230	43
Miscellaneous income	277	449
	3,873	3,989

9. EMPLOYEE BENEFITS EXPENSE

	Group	
	2018	2017
	\$'000	\$'000
Salaries, wages and bonuses	50,857	48,237
Contributions to defined contribution plans	4,361	4,093
Write-back of provision for unutilised leave	(37)	(103)
Directors' fees	598	619
Other employee benefits	1,903	2,179
	57,682	55,025

The Kingsmen Performance Share Scheme (the "KPSS") was approved and adopted by the members of the Company at an Extraordinary General Meeting of the Company held on 29 April 2009. The purpose of the KPSS is to provide an opportunity for (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) Group 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 who have met performance targets to be remunerated through an equity stake in the Company and/or when due recognition should be given to any good work performance and/or significant contribution to the Group as well as for Group employees to receive part of their annual cash bonus payment in the form of shares of the Company. Persons eligible to participate in the KPSS who are also controlling shareholders of the Company or associates of a controlling shareholder of the Company would be eligible to participate in the KPSS subject to the rules of the Listing Manual of the Singapore Exchange Securities Trading Limited. 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 (the "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 Group and/or (ii) the Group decides to pay a pre-determined percentage of a Group employee's annual cash bonus payment in the form of shares of the Company. 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 of the Company shall be determined by the KPSS Committee in its absolute discretion.



NOTES TO THE FINANCIAL STATEMENTS

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9. EMPLOYEE BENEFITS EXPENSE (CONT'D)

Included in salaries, wages and bonuses is an amount of \$196,000 (2017: \$113,000) which relates to bonus provision which would be settled in subsequent year through the grant of performance shares.

For the reporting year ended 31 December 2018, an aggregate of 468,200 (2017: 966,280) performance shares were awarded to employees of the Group at an average fair value of \$0.585 (2017: \$0.600) per share. This includes 347,140 (2017: 321,330) performance shares that were awarded to key management personnel.

10. OTHER EXPENSES

The major and other selected components of other expenses include the following:

	2018	Group	2017
	\$'000		\$'000
Amortisation of intangible assets	195		91
Amortisation of land use right	243		243
Audit fees			
- Auditors of the Company	186		182
- Other auditors	157		137
Bad trade debts written off	769		437
Impairment loss on doubtful trade receivables	740		21
Impairment loss on held-to-maturity investment	-		14
Net foreign exchange loss	-		1,641
Net loss on disposal of property, plant and equipment	20		-
Operating lease expenses	3,780		3,843
Property, plant and equipment written off	38		1
Selling and distribution expenses	1,097		1,211
Travelling and transport expenses	626		643
Upkeep and maintenance expenses	975		940
Utilities	599		446

11. INTEREST EXPENSE

	2018	Group	2017
	\$'000		\$'000
Interest expense on financial liabilities carried at amortised cost			
- Trust receipts, bank overdrafts and bank loans	799		533
- Obligations under finance leases	2		1
	801		534



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

12. INCOME TAX EXPENSE

	Group	
	2018	2017
	\$'000	\$'000
<hr/>		
<u>Current tax expense</u>		
Current year tax expense	3,878	2,283
Under/(over) provision in respect of prior years	71	(1,191)
	<hr/> 3,949	<hr/> 1,092
<u>Deferred tax income</u>		
Deferred tax income (Note 22)	(207)	(96)
	<hr/> (207)	<hr/> (96)
Income tax expense	<hr/> 3,742	<hr/> 996

A reconciliation between the income tax expense and the product of profit before tax multiplied by the applicable corporate tax rates for the reporting years ended 31 December 2018 and 2017 is as follows:

	Group	
	2018	2017
	\$'000	\$'000
<hr/>		
Profit before tax	11,100	10,168
Add: Share of result of joint venture	16	–
Less: Share of results of associates	(26)	(350)
	<hr/> 11,090	<hr/> 9,818
Tax at domestic tax rates applicable to profits in the countries where the Group operates *	3,179	2,428
Expenses not deductible for tax purposes	463	168
Benefits from previously unrecognised deferred tax assets	(185)	(33)
Tax exemptions and reliefs granted	(265)	(456)
Income not subjected to tax	(11)	(52)
Deferred tax assets not recognised	490	132
Under/(over) provision in respect of prior years	71	(1,191)
Income tax expense	<hr/> 3,742	<hr/> 996
Effective tax rate	<hr/> 33.7%	<hr/> 10.1%

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



NOTES TO THE FINANCIAL STATEMENTS

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13. EARNINGS PER SHARE

Basic earnings per share of the Group for the reporting year ended 31 December 2018 is calculated by dividing the Group's profit net of tax attributable to equity holders of the Company of \$8,154,000 (2017: \$9,741,000) by the weighted average number of ordinary shares outstanding during the reporting year of 199,413,636 (2017: 198,778,791) which take into account the weighted average effect of changes in share capital transactions during the reporting year.

The basic and diluted earnings per share of the Group are the same as there were no potential dilutive ordinary shares outstanding as at 31 December 2018 and 2017.

14. LAND USE RIGHT

	Group and Company		
	2018	2017	1 January 2017
	\$'000	\$'000	\$'000
<u>Cost</u>			
At 1 January and 31 December	7,284	7,284	
<u>Accumulated amortisation</u>			
At 1 January	546	303	
Amortisation charge for the year	243	243	
At 31 December	789	546	
<u>Net carrying amount</u>			
At 1 January			6,981
At 31 December	6,495	6,738	
Amount to be amortised			
- Not later than one year	243	243	243
- Later than one year and not later than five years	971	971	971
- Later than five years	5,281	5,524	5,767
	6,495	6,738	6,981

The Group has land use right over a plot of land in Singapore where the Group's headquarters building reside. The net carrying amount of the land use right of \$6,495,000 (2017: \$6,738,000; 1 January 2017: \$6,981,000) is pledged as securities for certain banking facilities granted (Note 30). The land use right is not transferable and has a remaining tenure of 27 (2017: 28; 1 January 2017: 29) years.



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15. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land \$'000	Buildings \$'000	Machinery and exhibition equipment \$'000	Office equipment, computers and software \$'000	Motor vehicles \$'000	Furniture and fittings \$'000	Renovations \$'000	Assets under construction \$'000	Total \$'000
<u>Cost</u>									
At 1 January 2017	6,755	8,509	14,037	5,588	1,668	449	5,071	1,273	43,350
Additions	–	–	369	484	2	36	165	11,177	12,233
Disposals/write-offs	–	–	(27)	(206)	–	(25)	(255)	–	(513)
Foreign exchange adjustments	161	203	(115)	(140)	(53)	(1)	(130)	–	(75)
At 31 December 2017	6,916	8,712	14,264	5,726	1,617	459	4,851	12,450	54,995
Additions	–	–	2,244	911	153	294	185	14,703	18,490
Disposals/write-offs	–	–	(2,436)	(341)	(312)	(33)	(349)	–	(3,471)
Transferred from assets under construction	–	22,420	–	–	–	–	4,733	(27,153)	–
Foreign exchange adjustments	(19)	(24)	(28)	18	(21)	(5)	(52)	–	(131)
At 31 December 2018	6,897	31,108	14,044	6,314	1,437	715	9,368	–	69,883
<u>Accumulated depreciation</u>									
At 1 January 2017	–	467	10,360	4,143	661	267	2,842	–	18,740
Depreciation charge for the year	–	169	1,603	559	228	51	525	–	3,135
Disposals/write-offs	–	–	(27)	(142)	–	(2)	(204)	–	(375)
Foreign exchange adjustments	–	16	163	(103)	(27)	2	(92)	–	(41)
At 31 December 2017	–	652	12,099	4,457	862	318	3,071	–	21,459
Depreciation charge for the year	–	450	1,361	546	189	62	625	–	3,233
Disposals/write-offs	–	–	(2,429)	(324)	(206)	(32)	(341)	–	(3,332)
Foreign exchange adjustments	–	(4)	(12)	5	(15)	(3)	(28)	–	(57)
At 31 December 2018	–	1,098	11,019	4,684	830	345	3,327	–	21,303
<u>Net carrying amount</u>									
At 1 January 2017	6,755	8,042	3,677	1,445	1,007	182	2,229	1,273	24,610
At 31 December 2017	6,916	8,060	2,165	1,269	755	141	1,780	12,450	33,536
At 31 December 2018	6,897	30,010	3,025	1,630	607	370	6,041	–	48,580

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Buildings \$'000	Office equipment, computers and software \$'000	Motor vehicle \$'000	Furniture and fittings \$'000	Renovations \$'000	Assets under construction \$'000	Total \$'000
<u>Cost</u>							
At 1 January 2017	–	426	7	21	115	1,273	1,842
Additions	–	12	–	2	–	11,177	11,191
Disposals/write-offs	–	(6)	–	–	–	–	(6)
At 31 December 2017	–	432	7	23	115	12,450	13,027
Additions	–	399	–	44	–	13,242	13,685
Disposals/write-offs	–	(62)	–	–	–	–	(62)
Transferred from assets under construction	22,420	–	–	–	3,272	(25,692)	–
At 31 December 2018	22,420	769	7	67	3,387	–	26,650
<u>Accumulated depreciation</u>							
At 1 January 2017	–	336	6	9	87	–	438
Depreciation charge for the year	–	25	1	3	13	–	42
Disposals/write-offs	–	(6)	–	–	–	–	(6)
At 31 December 2017	–	355	7	12	100	–	474
Depreciation charge for the year	274	56	–	5	122	–	457
Disposals/write-offs	–	(62)	–	–	–	–	(62)
At 31 December 2018	274	349	7	17	222	–	869
<u>Net carrying amount</u>							
At 1 January 2017	–	90	1	12	28	1,273	1,404
At 31 December 2017	–	77	–	11	15	12,450	12,553
At 31 December 2018	22,146	420	–	50	3,165	–	25,781

Depreciation expense is charged as follows:

	Group	
	2018 \$'000	2017 \$'000
Cost of sales	877	1,134
Operating expenses	2,356	2,001
Total	3,233	3,135

During the reporting year ended 31 December 2018, the Group acquired property, plant and equipment with an aggregate fair value of \$18,490,000 (2017: \$12,233,000), of which \$78,000 (2017: \$Nil) and \$17,272,000 (2017: \$11,046,000) were acquired by means of a finance lease and cash payments respectively. The balance of \$1,140,000 (2017: \$1,187,000) has not been paid and is recorded as part of accrued operating expenses (2017: other payables) under trade and other payables.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Assets held under finance leases

As at 1 January 2017, the Group had a motor vehicle held under finance lease with a net carrying amount of \$8,000. The finance lease obligations were discharged as of 31 December 2017. As at 31 December 2018, the Group had a motor vehicle held under finance lease with a net carrying amount of \$97,000 (Note 30).

Assets pledged as securities

In addition to the motor vehicle held under finance lease, the Group's freehold land and buildings with an aggregate net carrying amount of \$6,897,000 (2017: \$6,916,000; 1 January 2017: \$6,755,000) and \$30,010,000 (2017: \$8,060,000; 1 January 2017: \$8,042,000) respectively are pledged as securities for certain banking facilities granted (Note 30).

16. INTANGIBLE ASSETS

Group	Goodwill \$'000	Customer relationships \$'000	Licence \$'000	Total \$'000
<u>Cost</u>				
At 1 January 2017	8,521	2,309	–	10,830
Addition	–	–	1,337	1,337
Foreign exchange adjustments	(403)	(145)	–	(548)
At 31 December 2017	8,118	2,164	1,337	11,619
Foreign exchange adjustments	73	26	25	124
At 31 December 2018	8,191	2,190	1,362	11,743
<u>Accumulated amortisation and impairment</u>				
At 1 January 2017	1,000	2,036	–	3,036
Amortisation charge for the year	–	91	–	91
Foreign exchange adjustments	–	(145)	–	(145)
At 31 December 2017	1,000	1,982	–	2,982
Amortisation charge for the year	–	91	104	195
Foreign exchange adjustments	–	26	1	27
At 31 December 2018	1,000	2,099	105	3,204
<u>Net carrying amount</u>				
At 1 January 2017	7,521	273	–	7,794
At 31 December 2017	7,118	182	1,337	8,637
At 31 December 2018	7,191	91	1,257	8,539

The goodwill arose from the acquisition of Kingsmen (North Asia) Limited and Kingsmen Indochina Pte Ltd in 2007 and the accounting of Kingsmen Middle East LLC as a subsidiary with effect from 2014.

The customer relationships were recognised upon the acquisition of Kingsmen (North Asia) Limited in 2007 and the accounting of Kingsmen Middle East LLC as a subsidiary with effect from 2014 and are amortised over a period of 5 years and 6 years respectively. The customer relationship in relation to Kingsmen (North Asia) Limited was fully amortised in the reporting year ended 31 December 2012.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

16. INTANGIBLE ASSETS (CONT'D)

The licence arose from the acquisition of the right by Kingsmen Xperience, Inc. from Hasbro International, Inc. in 2017 to co-conceptualise, create, build and operate multiple NERF family entertainment centres across Asia Pacific and is amortised over a period of 13 years. There was no amortisation in the reporting year ended 31 December 2017 as the licence was acquired at the end of the reporting year.

Goodwill, customer relationships and licence are allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the respective subsidiaries as follows:

	Group		1 January
	2018	2017	2017
	\$'000	\$'000	\$'000
<u>Name of subsidiary</u>			
- Kingsmen (North Asia) Limited	4,562	4,489	4,892
- Kingsmen Indochina Pte Ltd	689	689	689
- Kingsmen Middle East LLC	2,031	2,122	2,213
- Kingsmen Xperience, Inc.	1,257	1,337	–
Net carrying amount at end of the year	8,539	8,637	7,794

The goodwill, customer relationships and licence were tested for impairment at the end of the reporting year. To assess the impairment, the Group estimated the value in use (Level 3) of the respective subsidiaries, being the lowest cash-generating unit to which the goodwill, customer relationships and licence are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from each subsidiary, based on the financial budgets approved by management covering a three-year period. The calculations of value in use for the subsidiaries are most sensitive to the following assumptions:

- Budgeted gross margins are estimated based on values achieved in the past years or values expected to be achieved. These are generally adjusted over the budget period for anticipated changes in performance.
- The pre-tax discount rates applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flows beyond the three-year period were between 11.8% to 23.4% (2017: 15.0% to 17.0%) and 2.9% to 7.3% (2017: 1.0% to 6.3%) per annum respectively. The discount rates reflect management's estimate of the risks specific to the subsidiaries and approximate the weighted average cost of capital for the subsidiaries. The growth rates used are based on management's best estimate of the long-term average growth rate relevant to the business activities of the subsidiaries.

Management believes that any reasonably possible change in the key assumptions on which each subsidiary recoverable amount is based on would not cause the carrying amount to exceed its recoverable amount. The quantitative information about the value in use measurement using significant unobservable inputs for each subsidiary are consistent with those used for the measurement last performed.

During the reporting year ended 31 December 2018, no impairment loss (2017: \$Nil) was recognised to write down the carrying amount of goodwill, customer relationships and licence attributable to the subsidiaries as the values in use were estimated to be higher than the respective carrying amounts.



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17. INVESTMENTS IN SUBSIDIARIES

	Company		1 January
	2018	2017	2017
	\$'000	\$'000	\$'000
<u>Unquoted equity shares</u>			
Balance at beginning of the year	28,265	26,265	26,265
Additions	3,104	2,000	–
Balance at end of the year	31,369	28,265	26,265
Impairment loss	(550)	(550)	(550)
Carrying amount of investments	30,819	27,715	25,715

No impairment loss (2017: \$Nil) was recognised for the reporting year ended 31 December 2018 as the recoverable amounts were in excess of the carrying amounts.

The listing of and information on the subsidiaries are given below:

Name of subsidiary Country of incorporation and principal place of business Principal activities (Independent Auditor)	Percentage of effective equity interest held by the Group		
	2018	2017	1 January 2017
	%	%	%
<u>Held by the Company</u>			
Kingsmen Exhibits Pte Ltd Singapore Advertising contractors and agents and design and production of exhibitions, decorations and museums (RSM Chio Lim LLP)	100.00	100.00	100.00
Kingsmen Projects Pte Ltd Singapore Design and production of architectural interiors, decorations and museums (RSM Chio Lim LLP)	100.00	100.00	100.00
Kingsmen Design Pte Ltd Singapore Design consultancy and planning management (RSM Chio Lim LLP)	100.00	100.00	100.00
Kingsmen Ooh-media Pte Ltd Singapore Advertising services, consultancy event management and marketing communications (RSM Chio Lim LLP)	70.00	70.00	70.00
Hi-Light Electrical Pte Ltd Singapore Electrical engineering (RSM Chio Lim LLP)	80.00	80.00	80.00

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17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiary Country of incorporation and principal place of business Principal activities (Independent Auditor)	Percentage of effective equity interest held by the Group		
	2018 %	2017 %	1 January 2017 %
<u>Held by the Company (cont'd)</u>			
Kingsmen Indochina Pte Ltd Singapore Investment holding (RSM Chio Lim LLP)	90.00	90.00	90.00
Thinkfarm Pte Ltd Singapore Custom publishing, media sales and events marketing (RSM Chio Lim LLP)	70.00	70.00	70.00
Kingsmen Ventures Pte Ltd Singapore Investment holding (RSM Chio Lim LLP)	100.00	100.00	–
Kingsmen Sdn Bhd Malaysia Investment holding and advertising contractors (RSM Malaysia)	71.00	71.00	71.00
Kingsmen (North Asia) Limited Hong Kong Investment holding and provision of corporate marketing and other related services (RSM Hong Kong)	100.00	100.00	100.00
PT Kingsmen Indonesia Indonesia Design and production of interiors, exhibitions, decorations and museums (Arman Eddy Ferdinand & Rekan)	95.00	95.00	95.00
Kingsmen Middle East LLC ^(a) United Arab Emirates Design and production of interiors, exhibitions, decorations and museums (Puthran Chartered Accountants)	55.51	55.51	55.51
<u>Held through Kingsmen Exhibits Pte Ltd</u>			
Kingsmen Environmental Graphics Pte Ltd Singapore Graphic design and production (RSM Chio Lim LLP)	100.00	100.00	100.00



NOTES TO THE FINANCIAL STATEMENTS

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17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiary Country of incorporation and principal place of business Principal activities (Independent Auditor)	Percentage of effective equity interest held by the Group		
	2018 %	2017 %	1 January 2017 %
<u>Held through Kingsmen Projects Pte Ltd</u> K-Fix Holdings Pte Ltd Singapore Investment holding (RSM Chio Lim LLP)	100.00	100.00	–
K-Fix Production Sdn Bhd Malaysia Manufacturer, wholesaler and trader of interior and exhibition furniture, fixtures and displays (AA Associates)	100.00	100.00	100.00
K-Fix (Kunshan) Co Ltd. ^(b) People's Republic of China Manufacturer, wholesaler and trader of interior and exhibition furniture, fixtures and displays (Suzhou Huaming United Certified Public Accountants)	100.00	100.00	100.00
Kingsmen Projects US United States of America Design and production of architectural interiors and decorations (Not required to be audited by the law of its country of incorporation)	70.00	70.00	70.00
<u>Held through K-Fix Holdings Pte Ltd</u> K-Fix (Nantong) Co Ltd. People's Republic of China Manufacturer, wholesaler and trader of interior and exhibition furniture, fixtures and displays (Suzhou Huaming United Certified Public Accountants)	100.00	100.00	–
<u>Held through Kingsmen Ooh-media Pte Ltd</u> I-Promo Pte Ltd Singapore Design consultancy, projects and events management and provision of special design and construction facilities to exhibitors (RSM Chio Lim LLP)	70.00	70.00	70.00
<u>Held through Kingsmen Indochina Pte Ltd</u> Kingsmen Vietnam Co., Ltd Vietnam Design and production of interiors, exhibitions, decorations and museums (PwC (Vietnam) Limited)	90.00	90.00	90.00



NOTES TO THE FINANCIAL STATEMENTS

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17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiary Country of incorporation and principal place of business Principal activities (Independent Auditor)	Percentage of effective equity interest held by the Group		
	2018 %	2017 %	1 January 2017 %
<u>Held through Kingsmen Ventures Pte Ltd</u> NAX Company Pte Ltd Singapore Investment holding (RSM Chio Lim LLP)	100.00	–	–
Kingsmen Xperience, Inc. United States of America Development, ownership and marketing of intellectual property for experiential and themed attractions (Not required to be audited by the law of its country of incorporation)	80.00	80.00	–
<u>Held through NAX Company Pte Ltd</u> NAX Singapore Pte Ltd Singapore Development, ownership and marketing of intellectual property for experiential and themed attractions (RSM Chio Lim LLP)	100.00	–	–
<u>Held through Kingsmen Sdn Bhd</u> Kingsmen Projects Sdn Bhd (formerly known as Kingsmen Keb Designers & Producers Sdn Bhd) Malaysia Design and production of interiors, exhibitions, decorations and museums (RSM Malaysia)	71.00	71.00	71.00
Kingsmen Exhibits Sdn Bhd (formerly known as Kingsmen-Keb Systems Sdn Bhd) Malaysia Design and production of interiors, exhibitions, decorations and museums (RSM Malaysia)	71.00	71.00	71.00
<u>Held through Kingsmen (North Asia) Limited</u> Kingsmen Hong Kong Limited Hong Kong Design and production of interiors, exhibitions, decorations and museums (RSM Hong Kong)	96.00	96.00	96.00



NOTES TO THE FINANCIAL STATEMENTS

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17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiary Country of incorporation and principal place of business Principal activities (Independent Auditor)	Percentage of effective equity interest held by the Group		
	2018 %	2017 %	1 January 2017 %
<u>Held through Kingsmen (North Asia) Limited (cont'd)</u>			
Kingsmen Beijing Co., Limited ^(c) People's Republic of China Design and production of interiors, exhibitions, decorations and museums (Beijing Dongshen Dingli International Certified Public Accountants Co., Ltd)	100.00	100.00	100.00
Kingsmen Shanghai Co., Limited ^(c) People's Republic of China Design and production of interiors, exhibitions, decorations and museums (Shanghai Jiuzhou Certified Public Accountants Co., Ltd.)	100.00	100.00	100.00
Kingsmen Taiwan International Co. Limited ^(c) Taiwan Design and production of interiors, exhibitions, decorations and museums (Ecovis Taiwan)	93.00	93.00	93.00
Kingsmen Macau Limited ^(c) Macau Design and production of interiors, exhibitions, decorations and museums (Not required to be audited by the law of its country of incorporation)	100.00	100.00	100.00
<u>Held through Kingsmen Hong Kong Limited</u>			
Kingsmen (Shenzhen) Co Ltd. ^(c) People's Republic of China Design and production of interiors, exhibitions, decorations and museums (Shenzhen Tongde Certified Public Accountants)	96.00	96.00	96.00

- (a) Kingsmen Middle East LLC was accounted for as a 55.51% subsidiary of the Group with effect from 1 January 2014. Although the Group does not own more than half of the voting power of Kingsmen Middle East LLC, it is able to govern the financial and operating policies of the company by virtue of agreements with other shareholders of the company. The nature of these agreements results in the Group having the power over Kingsmen Middle East LLC's variable returns. Prior to this, Kingsmen Middle East LLC was accounted for as a 25% associate of the Group.



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31 DECEMBER 2018

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

- (b) The Group holds an effective equity interest of 100% (2017: 100%; 1 January 2017: 100%) in K-Fix (Kunshan) Co Ltd., of which 70% (2017: 70%; 1 January 2017: 70%) is held through Kingsmen Projects Pte Ltd and 30% (2017: 30%; 1 January 2017: 30%) is held through Kingsmen (North Asia) Limited.
- (c) For the purposes of the preparation of the Group's financial statements to comply with SFRS(I), these subsidiaries are audited by RSM Hong Kong.

There are no subsidiaries that have non-controlling interests that are considered material to the Group.

18. INVESTMENT IN JOINT VENTURE

	Group		1 January
	2018	2017	2017
	\$'000	\$'000	\$'000
<u>Unquoted equity shares, at cost</u>			
Balance at beginning of the year	–	–	–
Addition	246	–	–
Balance at end of the year	246	–	–
<u>Share of post acquisition reserves</u>			
Balance at beginning of the year	–	–	–
Share of loss for the year	(16)	–	–
Balance at end of the year	(16)	–	–
Foreign exchange adjustments	2	–	–
Carrying amount of investment	232	–	–

No impairment loss (2017: \$Nil) was recognised for the reporting year ended 31 December 2018 as the recoverable amount approximates the carrying amount.

The listing of and information on the joint venture are given below:

Name of joint venture Country of incorporation and principal place of business Principal activities (Independent Auditor)	Percentage of effective equity interest held by the Group		
	2018	2017	1 January 2017
	%	%	%
Held through Kingsmen Exhibits Pte Ltd Kingsmen-Nassal Kabushiki Kaisha Japan Design, manufacture and build of themed attractions and lifestyle parks (Not required to be audited by the law of its country of incorporation)	50.00	–	–



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18. INVESTMENT IN JOINT VENTURE (CONT'D)

The summarised unaudited financial information of the joint venture, which is non-material, and the aggregated amounts (and not the Group's share of those amounts) based on the financial statements of the joint venture are as follows:

	2018 \$'000	2017 \$'000	1 January 2017 \$'000
Current assets	654	–	–
Non-current assets	–	–	–
Current liabilities	(190)	–	–
Non-current liabilities	–	–	–
Revenue	–	–	
Loss for the reporting year	(32)	–	

19. INVESTMENTS IN ASSOCIATES

	Group			Company		
	2018 \$'000	2017 \$'000	1 January 2017 \$'000	2018 \$'000	2017 \$'000	1 January 2017 \$'000
<u>Unquoted equity shares, at cost</u>						
Balance at beginning and end of the year	3,537	3,537	3,537	3,430	3,430	3,430
<u>Share of post acquisition reserves</u>						
Balance at beginning of the year	2,775	2,575	3,374	–	–	–
Share of profit/(loss) for the year	26	350	(196)	–	–	–
Dividend income	(60)	(150)	(680)	–	–	–
Arising out of deemed disposal of interest	–	–	77	–	–	–
Balance at end of the year	2,741	2,775	2,575	–	–	–
Foreign exchange adjustments	(116)	21	(158)	–	–	–
Carrying amount of investments	6,162	6,333	5,954	3,430	3,430	3,430

No impairment loss (2017: \$Nil) was recognised for the reporting year ended 31 December 2018 as the recoverable amounts were in excess of the carrying amounts.



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19. INVESTMENTS IN ASSOCIATES (CONT'D)

The listing of and information on the associates are given below:

Name of associate Country of incorporation and principal place of business Principal activities (Independent Auditor)	Percentage of effective equity interest held by the Group		
	2018	2017	1 January 2017
	%	%	%
<u>Held by the Company</u>			
Ascend Com Pte. Ltd. Singapore Renting and selling audio-visual, computer and peripheral equipment (Plus LLP)	40.00	40.00	40.00
Kingsmen Korea Limited Korea Design and production of architectural interiors, decorations and museums (SEOU Accounting Corporation)	24.46	24.46	24.46
Kingsmen Nikko Limited Japan Advertising contractors and agents and design and production of exhibitions, decorations and museums (Not required to be audited by the law of its country of incorporation)	30.00	30.00	30.00
Enterprise Sports Group Pte Ltd Singapore Sports event marketing, public relations and organising (Fong S F & Associates)	30.00	30.00	30.00
<u>Held through Ascend Com Pte. Ltd.</u>			
Crescendo Media Pte Ltd Singapore Media production and event planning (Plus LLP)	16.00	16.00	16.00
Ascend Com Sdn Bhd Malaysia Provision of information technology products and services (L & Co. PLT)	16.00	–	–
<u>Held through Kingsmen Korea Limited</u>			
Kingsmen E&E Limited Korea Design and production of architectural interiors and decorations for museums and commercial interiors and alternative marketing (SEOU Accounting Corporation)	22.01	22.01	22.01



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19. INVESTMENTS IN ASSOCIATES (CONT'D)

Name of associate Country of incorporation and principal place of business Principal activities (Independent Auditor)	Percentage of effective equity interest held by the Group		
			1 January
	2018	2017	2017
	%	%	%
<u>Held through Kingsmen Nikko Limited</u> Kingsmen Project Japan Limited Japan Advertising contractors and agents and design and production of exhibitions, decorations and museums (Not required to be audited by the law of its country of incorporation)	24.00	24.00	24.00
<u>Held through Kingsmen Project Japan Limited</u> Kingsmen Architects and Design Limited Japan Design consultancy and planning management (Not required to be audited by the law of its country of incorporation)	24.00	24.00	24.00
<u>Held through Enterprise Sports Group Pte Ltd</u> ESG Endurance Sports Pte Ltd ^(a) Singapore Sports event organising (Fong S F & Associates)	–	30.00	30.00
Enterprise Sports Singapore Pte Ltd Singapore Sports event marketing (Fong S F & Associates)	30.00	30.00	30.00
Little Swim School Pte Ltd ^(b) Singapore Private and public sports coaching and sale of sporting products (Fong S F & Associates)	24.00	–	–
<u>Held through ESG Endurance Sports Pte Ltd</u> Little Swim School Pte Ltd ^(b) Singapore Private and public sports coaching and sale of sporting products (Fong S F & Associates)	–	24.00	24.00
<u>Held through Kingsmen Sdn Bhd</u> Kingsmen KEG Sdn Bhd Malaysia Design and production of interiors, exhibitions, decorations and museums (RSM Malaysia)	28.40	28.40	28.40
<u>Held through Kingsmen KEG Sdn Bhd</u> KEG Production Sdn Bhd Malaysia Manufacturer, wholesaler and trader of interior and exhibition furniture, fixtures and displays (RSM Malaysia)	17.04	17.04	17.04

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19. INVESTMENTS IN ASSOCIATES (CONT'D)

- (a) Struck off in December 2018.
- (b) During the reporting year ended 31 December 2018, ESG Endurance Sports Pte Ltd transferred its 80% owned subsidiary, Little Swim School Pte Ltd to its holding company, Enterprise Sports Group Pte Ltd. There was no change in the Group's effective equity interest in Little Swim School Pte Ltd resulting from this transfer.

The summarised unaudited financial information of all the associates, which are individually non-material, and the aggregated amounts (and not the Group's share of those amounts) based on the financial statements of the associates are as follows:

	2018	2017	1 January 2017
	\$'000	\$'000	\$'000
Current assets	38,800	43,147	46,679
Non-current assets	7,937	8,739	9,649
Current liabilities	27,953	31,569	37,769
Non-current liabilities	960	1,324	1,225
Revenue	81,335	100,238	
(Loss)/profit for the reporting year	(82)	1,487	

The Group has not recognised losses relating to an associate where its share of losses exceeds the Group's interest in the associate as the Group does not have any obligations in respect of these losses. As at 31 December 2018, the Group's cumulative share of the unrecognised losses was \$117,000 (2017: \$Nil; 1 January 2017: \$Nil).

20. OTHER INVESTMENTS

	Group and Company		1 January
	2018	2017	2017
	\$'000	\$'000	\$'000
Current			
Held-to-maturity investment			
- 4% p.a. US bonds due on 23 October 2017 (quoted)	-	-	1,014
Current, total	-	-	1,014
Non-current			
Available-for-sale financial assets			
- Quoted equity shares	-	4,275	4,266
- Unquoted equity shares	-	38	38
Equity instruments at fair value through other comprehensive income			
- Quoted equity shares	2,491	-	-
- Unquoted equity shares	38	-	-
Non-current, total	2,529	4,313	4,304
Current and non-current, total	2,529	4,313	5,318



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20. OTHER INVESTMENTS (CONT'D)

The Group's investment in the 4% p.a. US bonds, with par value of \$1,000,000, matured during the reporting year ended 31 December 2017 and was redeemed. The fair value (Level 1) of the bonds, of which the issuer is from the financial services industry, was last determined to be \$1,014,000 based on the published market bid price at the end of the reporting year ended 31 December 2016. Consequently, the Group recognised an impairment loss of \$14,000 for the reporting year ended 31 December 2017.

In May 2018, the Company received a dividend of \$42,000 in the form of ordinary shares from its investment in quoted equity shares. Consequently, the net carrying value of the Group's investment in quoted equity shares increased from \$4,275,000 to \$4,317,000. The fair value (Level 1) of the Group's investment in quoted equity shares was determined to be \$2,491,000 (2017: \$4,275,000; 1 January 2017: \$4,266,000) based on the quoted market price at the end of the reporting year. Hence, the Group recognised a change in fair value of \$1,826,000 (2017: \$9,000) in other comprehensive income for the reporting year ended 31 December 2018.

Fair value information has not been disclosed for the Group's investment in unquoted equity shares that is carried at cost because the fair value (Level 3) cannot be measured reliably. The carrying amount of the investment of \$38,000 (2017: \$38,000; 1 January 2017: \$38,000) is not material to the Group and the Group does not intend to dispose of this investment in the foreseeable future.

21. TRADE AND OTHER RECEIVABLES

	Group			Company		
	2018	2017	1 January 2017	2018	2017	1 January 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current						
<u>Trade receivables</u>						
Non-related parties	93,482	83,541	95,582	-	-	-
Less: Impairment loss	(1,832)	(1,460)	(1,551)	-	-	-
Subsidiaries	-	-	-	1,034	1,070	1,055
Associates	2,079	2,865	1,546	82	51	39
Related parties	2,349	246	239	184	225	215
Sub-total	96,078	85,192	95,816	1,300	1,346	1,309
<u>Other receivables</u>						
Other receivables	7,773	4,396	4,320	348	561	217
Subsidiaries	-	-	-	1,490	863	1,226
Loan receivable from subsidiaries	-	-	-	3,099	3,056	3,069
Joint venture	94	-	-	-	-	-
Associates	124	14	31	25	14	31
Loan receivable from associates	1,974	1,605	548	-	-	-
Related parties	-	-	5	-	-	5
Staff advances and loans	465	567	737	-	-	-
Refundable deposits	2,240	2,633	3,273	40	1	1
Sub-total	12,670	9,215	8,914	5,002	4,495	4,549
Current, total	108,748	94,407	104,730	6,302	5,841	5,858

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21. TRADE AND OTHER RECEIVABLES (CONT'D)

	Group			Company		
	2018	2017	1 January 2017	2018	2017	1 January 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-current						
<u>Other receivables</u>						
Other receivables	134	139	759	-	-	-
Non-current, total	134	139	759	-	-	-
Current and non-current, total	108,882	94,546	105,489	6,302	5,841	5,858

Movements in impairment loss on doubtful trade receivables during the reporting year are as follows:

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
At beginning of the year	1,460	1,551	-	-
Impairment loss for the year	740	21	-	-
Write-back of impairment loss	(230)	(43)	-	-
Write-off against impairment loss	(140)	(40)	-	-
Foreign exchange adjustments	2	(29)	-	-
At end of the year	1,832	1,460	-	-

Included in trade receivables is an amount of \$3,160,000 (2017: \$3,977,000; 1 January 2017: \$1,731,000) which relates to retention sums.

Except for an amount of \$775,000 (2017: \$775,000; 1 January 2017: \$600,000) under loan receivable from subsidiaries and an amount of \$8,000 (2017: \$15,000; 1 January 2017: \$7,000) under staff loans, the remaining current trade and other receivables are unsecured, non-interest bearing and repayable on demand in cash. The amount of \$775,000 (2017: \$775,000; 1 January 2017: \$600,000) under loan receivable from subsidiaries and the amount of \$8,000 (2017: \$15,000; 1 January 2017: \$7,000) under staff loans are unsecured, bear interest at 6.00% (2017: 6.00%; 1 January 2017: 6.00%) and 3.00% (2017: 3.00%; 1 January 2017: 3.00%) per annum respectively and are repayable on demand in cash.

The non-current trade and other receivables are unsecured, non-interest bearing, not repayable within the next twelve months and to be settled in cash.



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22. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

Group	Consolidated Statement of Financial Position			Consolidated Statement of Profit or Loss and Other Comprehensive Income	
	2018 \$'000	2017 \$'000	1 January 2017 \$'000	2018 \$'000	2017 \$'000
<u>Deferred tax assets</u>					
Differences in depreciation for tax purposes	2	(3)	(26)	5	23
Provisions	128	104	29	24	75
Unutilised tax losses	368	210	109	158	101
Others	224	230	314	(6)	(84)
	<u>722</u>	<u>541</u>	<u>426</u>		
<u>Deferred tax liabilities</u>					
Differences in depreciation for tax purposes	(355)	(320)	(305)	(35)	(15)
Provisions	117	87	86	30	1
Others	(139)	(163)	(155)	24	(8)
	<u>(377)</u>	<u>(396)</u>	<u>(374)</u>		
Foreign exchange adjustments				7	3
Deferred tax income (Note 12)				<u>207</u>	<u>96</u>

Company	Statement of Financial Position		
	2018 \$'000	2017 \$'000	1 January 2017 \$'000
<u>Deferred tax assets</u>			
Differences in depreciation for tax purposes	–	(18)	(22)
Provisions	–	11	12
Unutilised tax losses	–	68	57
	<u>–</u>	<u>61</u>	<u>47</u>
<u>Deferred tax liabilities</u>			
Differences in depreciation for tax purposes	(83)	–	–
Provisions	11	–	–
Unutilised tax losses	16	–	–
	<u>(56)</u>	<u>–</u>	<u>–</u>



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

22. DEFERRED TAX (CONT'D)

Unabsorbed tax losses and unutilised capital allowances

As at 31 December 2018, the Group has unabsorbed tax losses and unutilised capital allowances totalling \$2,344,000 (2017: \$1,248,000; 1 January 2017: \$1,166,000) available for offset against future taxable profits of certain subsidiaries in which the tax losses and capital allowances arose, for which no deferred tax asset is recognised due to the uncertainty of its recoverability. These unabsorbed tax losses and unutilised capital allowances are available for offset against future taxable profits for an unlimited future period except for amounts of \$Nil, \$Nil and \$Nil (2017: \$291,000, \$84,000, \$151,000 and \$221,000; 1 January 2017: \$126,000, \$295,000, \$85,000, \$153,000 and \$233,000) which expire in the reporting years ending 31 December 2019 to 2021 (2017: 31 December 2018 to 2021; 1 January 2017: 31 December 2017 to 2021) respectively. The use of these tax losses and capital allowances is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation in which the subsidiaries operate.

Unrecognised temporary differences relating to investments in subsidiaries

Deferred tax liabilities of \$1,578,000 (2017: \$1,459,000; 1 January 2017: \$1,501,000) have not been recognised for taxes that would be payable on the distribution of the undistributed earnings of certain subsidiaries for the reporting year ended 31 December 2018 as the Group has determined that the undistributed earnings of these subsidiaries will not be distributed in the foreseeable future.

Tax consequences of proposed dividends

There are no income tax consequences attached to the dividends to the shareholders of the Company of \$3,021,000 (2017: \$2,987,000; 1 January 2017: \$2,972,000) proposed by the Company but not recognised as a liability in the financial statements as at the end of the reporting year (Note 32).

23. INVENTORIES

	2018	Group 2017	1 January 2017
	\$'000	\$'000	\$'000
Project materials	4,169	1,583	1,607

Project materials recognised as cost of sales during the reporting year amounted to \$2,961,000 (2017: \$2,980,000).



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24. CONTRACT ASSETS AND CONTRACT LIABILITIES

Information about contract assets and contract liabilities from contracts with customers (reported as gross amount due from and to customers for contract work-in-progress respectively for the reporting year ended 31 December 2017 and before) is as follows:

	2018	Group 2017	1 January 2017
	\$'000	\$'000	\$'000
Contract assets	25,924	15,454	23,595
Contract liabilities	10,305	7,330	10,521

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at the reporting date on construction contracts. Contract assets are transferred to trade receivables when the rights become unconditional.

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers on construction contracts. Contract liabilities are recognised as revenue as the Group performs under the contracts.

Significant changes in contract assets and contract liabilities during the reporting year are as follows:

	2018	Group 2017
	\$'000	\$'000
Contract assets reclassified to trade receivables	12,353	18,967
Revenue recognised that was included in contract liabilities balance at beginning of the year	7,256	10,350

The aggregate amount of the transaction price allocated to the unsatisfied performance obligations as of 31 December 2018 is \$37,316,000, of which 60% amounting to \$22,442,000 may be recognised as revenue during the next reporting year ended 31 December 2019. Of the remaining 40%, \$7,437,000 and \$7,437,000 may be recognised as revenue during the reporting years ending 31 December 2020 and 2021 respectively. The amounts disclosed do not include the following:

- (a) Performance obligations for which the Group has applied the practical expedient not to disclose information about its remaining performance obligations if:
 - the performance obligation is part of a contract that has an original expected duration of one year or less; or
 - the Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, then it recognises revenue in that amount.
- (b) Variable consideration that is constrained and therefore is not included in the transaction price.



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25. OTHER ASSETS

	Group			Company		
	2018 \$'000	2017 \$'000	1 January 2017 \$'000	2018 \$'000	2017 \$'000	1 January 2017 \$'000
Income tax recoverable	56	55	98	–	–	–
Prepayments	1,906	1,020	1,004	102	94	174
	<u>1,962</u>	<u>1,075</u>	<u>1,102</u>	<u>102</u>	<u>94</u>	<u>174</u>

26. CASH AND CASH EQUIVALENTS

	Group			Company		
	2018 \$'000	2017 \$'000	1 January 2017 \$'000	2018 \$'000	2017 \$'000	1 January 2017 \$'000
Cash at banks and in hand	59,170	60,048	60,027	2,973	2,288	1,631
Short-term deposits	20,587	13,561	16,128	7,590	1,085	8,410
Cash and cash equivalents in statement of financial position	79,757	73,609	76,155	10,563	3,373	10,041
Deposits pledged for bank facilities	(2,249)	(2,536)	(1,604)	(1,085)	(1,085)	(1,349)
Cash and cash equivalents for statement of cash flows	<u>77,508</u>	<u>71,073</u>	<u>74,551</u>	<u>9,478</u>	<u>2,288</u>	<u>8,692</u>

Certain bank balances earn interest at rates based on daily bank deposit rates. Short-term deposits are placed for varying periods from one month to one year (2017: one month to one year) depending on the immediate cash requirements of the Group. The short-term deposits bear interest of 0.15% to 7.25% (2017: 0.15% to 6.75%) and 0.25% to 1.25% (2017: 0.15% to 1.14%) per annum for the Group and the Company respectively during the reporting year.

As at 31 December 2018, short-term deposits of \$2,249,000 (2017: \$2,536,000; 1 January 2017: \$1,604,000) and \$1,085,000 (2017: \$1,085,000; 1 January 2017: \$1,349,000) of the Group and the Company have been pledged to banks for banking facilities granted respectively.

27. SHARE CAPITAL

	Group and Company	
	Number of ordinary shares issued	Share capital \$'000
At 1 January 2017	198,140,781	27,130
Issued pursuant to performance share scheme	966,280	580
At 31 December 2017	199,107,061	27,710
Issued pursuant to performance share scheme	468,200	274
At 31 December 2018	<u>199,575,261</u>	<u>27,984</u>

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The Company is not subject to any externally imposed capital requirements.



NOTES TO THE FINANCIAL STATEMENTS

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27. SHARE CAPITAL (CONT'D)

Capital management

The objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risks taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

In order to maintain its listing on the Singapore Exchange Securities Trading Limited, the Company has to have share capital with a free float of at least 10% of the shares. The Company met the capital requirement on its initial listing and continues to satisfy that requirement, as it did throughout the reporting year. Management receives regular reports from the share registrar providing information on the non-free float to ensure continuing compliance with the 10% limit.

The management does not set a target level of gearing but uses capital appropriately to support its business and to add value for shareholders. The key discipline adopted is to widen the margin between the return on capital employed and the cost of that capital.

28. OTHER RESERVES

	Group			Company		
	2018 \$'000	2017 \$'000	1 January 2017 \$'000	2018 \$'000	2017 \$'000	1 January 2017 \$'000
Fair value reserve	(2,149)	(323)	(332)	(2,149)	(323)	(332)
Foreign currency translation reserve	(2,588)	(1,241)	–	–	–	–
Statutory reserve fund	1,285	1,037	894	–	–	–
Gain on reissuance of treasury shares	1,886	1,886	1,886	1,886	1,886	1,886
Premium paid on acquisition of non-controlling interests	(3,827)	(3,827)	(3,827)	–	–	–
	(5,393)	(2,468)	(1,379)	(263)	1,563	1,554

Fair value reserve

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
At beginning of the year		(323)	(323)	(332)
Change in fair value of available-for-sale financial asset		–	9	–
Change in fair value of equity instrument at fair value through other comprehensive income		(1,826)	–	(1,826)
At end of the year		(2,149)	(323)	(2,149)

Fair value reserve represents the cumulative fair value changes of a financial asset at fair value through other comprehensive income until the asset is derecognised.



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28. OTHER RESERVES (CONT'D)

Foreign currency translation reserve

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
At beginning of the year	(1,241)	–	–	–
Exchange differences on translating foreign operations	(1,347)	(1,241)	–	–
At end of the year	(2,588)	(1,241)	–	–

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.

In adopting the SFRS(I), the Group has elected for the optional exemption to reset its cumulative foreign currency translation reserve to zero at the date of transition at 1 January 2017. As a result, cumulative translation losses of \$1,825,000 were reclassified from foreign currency translation reserve to retained earnings as at 1 January 2017.

Statutory reserve fund

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
At beginning of the year	1,037	894	–	–
Appropriation from retained earnings	248	143	–	–
At end of the year	1,285	1,037	–	–

In accordance with the applicable legislation in the countries where the Group's subsidiaries operate, certain subsidiaries are required to make appropriations to the Statutory Reserve Fund (the "SRF"). Under the applicable legislation, 10% of the statutory after tax profits as determined in accordance with the applicable accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's paid-up capital. Subject to approval from the relevant authorities, the SRF may be used to offset any accumulated losses or increase the paid-up capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

Gain on reissuance of treasury shares

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
At beginning and end of the year	1,886	1,886	1,886	1,886

The Company reissued treasury shares pursuant to its performance share scheme at an average fair value per treasury share. The excess of the average fair value per treasury share over the weighted average cost per treasury share was recognised in this reserve. This reserve is not available for dividend distribution to shareholders.

Premium paid on acquisition of non-controlling interests

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
At beginning and end of the year	(3,827)	(3,827)	–	–



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29. TRADE AND OTHER PAYABLES

	Group			Company		
	2018	2017	1 January	2018	2017	1 January
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current						
<u>Trade payables</u>						
Non-related parties	87,023	64,314	65,367	–	–	–
Associates	1,988	2,001	1,400	–	–	–
Related parties	99	149	156	–	–	–
Accrued project costs	7,118	11,295	22,864	–	–	–
Sub-total	96,228	77,759	89,787	–	–	–
<u>Other payables</u>						
Other payables	8,747	8,430	7,287	543	1,618	268
Subsidiaries	–	–	–	542	10	7
Associates	71	12	6	71	6	–
Provision for unutilised leave	955	989	1,133	67	66	71
Accrued operating expenses	13,283	9,488	12,211	2,308	1,138	2,112
Deposits received	358	138	236	156	14	14
Sub-total	23,414	19,057	20,873	3,687	2,852	2,472
Current, total	119,642	96,816	110,660	3,687	2,852	2,472
Non-current						
<u>Other payables</u>						
Post-employment benefits	1,147	1,195	1,245	–	–	–
Non-current, total	1,147	1,195	1,245	–	–	–
Current and non-current, total	120,789	98,011	111,905	3,687	2,852	2,472

The current trade and other payables are unsecured, non-interest bearing and repayable on demand in cash.

The non-current trade and other payables are unsecured, non-interest bearing, not repayable within the next twelve months and to be settled in cash.

Included in post-employment benefits is an amount of \$296,000 (2017: \$317,000; 1 January 2017: \$276,000) which relates to an unfunded defined benefit plan for qualifying employees of the Group's subsidiary in Indonesia. Under the plan, the employees are entitled to post-employment benefits for every year of employment served having fulfilled certain conditions. The plan is not held separately by an independent administered fund as the plan is not a funded arrangement.



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29. TRADE AND OTHER PAYABLES (CONT'D)

Movements in the provision and the amounts recognised in profit or loss and other comprehensive income during the reporting year are as follows:

	2018	Group	2017
	\$'000		\$'000
At beginning of the year	317		276
Current service cost	20		31
Past service cost of curtailment/settlement	–		1
Interest expense	12		12
Excess post employment benefit	–		1
Defined benefit plan actuarial (gain)/loss	(34)		14
Actual post employment payment	(8)		(17)
Effect of deferred tax	(8)		5
Foreign currency adjustments	(3)		(6)
At end of the year	<u>296</u>		<u>317</u>

The actuarial calculations are performed using the projected unit credit method and the key actuarial assumptions used are as follows:

	2018	Group	2017
Discount rate	8.5%		7.0%
Estimated future salary increase	5.0%		5.0%
Normal retirement age	<u>55 years</u>		<u>55 years</u>



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30. OTHER FINANCIAL LIABILITIES

	Group			Company		
	2018	2017	1 January	2018	2017	1 January
	\$'000	\$'000	2017	\$'000	\$'000	2017
			\$'000			\$'000
Current						
Trust receipts	1,302	1,305	649	–	–	–
SGD term loan at SIBOR + 1.28% p.a.	1,240	–	–	1,240	–	–
SGD term loan (A) at SOR + 1.25% p.a.	800	800	800	–	–	–
SGD term loans (B) at SOR + 1.25% p.a.	4,000	3,000	–	–	–	–
MYR term loan at 6.25% p.a.	596	589	543	–	–	–
MYR term loan at BLR - 2% p.a.	1,303	1,353	1,369	–	–	–
MYR term loan at BECOF + 1% p.a.	857	859	839	–	–	–
MYR term loan at BECOF + 1.5% p.a.	46	53	43	–	–	–
VND term loans at BLR + 2% p.a.	3,016	506	–	–	–	–
Finance leases	5	–	6	–	–	–
Current, total	13,165	8,465	4,249	1,240	–	–
Non-current						
SGD term loan at SIBOR + 1.28% p.a.	18,425	–	–	18,425	–	–
SGD term loan (A) at SOR + 1.25% p.a.	534	1,334	2,134	–	–	–
MYR term loan at 6.25% p.a.	2,232	2,840	3,348	–	–	–
MYR term loan at BECOF + 1.5% p.a.	1,247	1,294	1,325	–	–	–
Finance leases	72	–	–	–	–	–
Non-current, total	22,510	5,468	6,807	18,425	–	–
Current and non-current, total	35,675	13,933	11,056	19,665	–	–



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30. OTHER FINANCIAL LIABILITIES (CONT'D)

	Group		Company	
	2018	2017	2018	2017
The range of floating interest rates per annum paid/payable was as follows:				
Trust receipts	8.29% to 8.57%	7.95% to 8.31%	-	-
SGD term loan at SIBOR + 1.28% p.a.	2.64% to 3.15%	-	2.64% to 3.15%	-
SGD term loan (A) at SOR + 1.25% p.a.	2.12% to 2.81%	2.14% to 2.47%	-	-
SGD term loans (B) at SOR + 1.25% p.a.	2.55% to 3.24%	2.55%	-	-
MYR term loan at BLR - 2% p.a.	5.04%	4.70% to 4.79%	-	-
MYR term loan at BECOF + 1% p.a.	4.24% to 4.81%	3.95% to 4.42%	-	-
MYR term loan at BECOF + 1.5% p.a.	4.87% to 5.11%	4.85% to 4.89%	-	-
VND term loans at BLR + 2% p.a.	5.20%	5.20%	-	-

The range of fixed interest rates per annum paid/payable was as follows:

MYR term loan at 6.25% p.a.	6.25%	6.25%	-	-
Finance leases	6.56%	10.90%	-	-

The carrying amounts of the Group's non-current SGD term loan at SIBOR + 1.28% p.a., SGD term loan (A) at SOR + 1.25% p.a. and MYR term loan at BECOF + 1.5% p.a. are reasonable approximation of their fair values as they are floating rate instruments that are repriced to market interest rate on or near the end of the reporting year.

The fair value of the Group's non-current MYR term loan at 6.25% p.a. is determined to be \$2,237,000 (2017: \$2,873,000; 1 January 2017: \$3,363,000) which is estimated by discounting expected future cash flows at market incremental lending rate for similar types of arrangements.

The details of the loans and borrowings are as follows:

Trust receipts

The trust receipts are denominated in Malaysian Ringgit ("MYR"), bear interest at bank lending rate ("BLR") + 1.25% to 1.50% (2017: BLR + 1.25% to 1.50%; 1 January 2017: BLR + 1.25% to 1.50%) per annum and are fully repayable within the next twelve months. The trust receipts are secured by a first mortgage over freehold land and buildings with an aggregate net carrying amount of \$3,325,000 (2017: \$3,373,000; 1 January 2017: \$3,331,000), corporate guarantees given by the Company and a subsidiary, Kingsmen Sdn Bhd and personal guarantees given by certain directors of subsidiaries, Kingsmen Exhibits Sdn Bhd and Kingsmen Projects Sdn Bhd.



NOTES TO THE FINANCIAL STATEMENTS

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30. OTHER FINANCIAL LIABILITIES (CONT'D)

SGD term loan at SIBOR + 1.28% p.a.

The SGD term loan at SIBOR + 1.28% p.a. is denominated in SGD, bears interest at Singapore interbank offer rate ("SIBOR") + 1.28% (2017: Nil%; 1 January 2017: Nil%) per annum and is fully repayable by 2032. The loan is secured by a first mortgage over land use right and building with an aggregate net carrying amount of \$28,641,000 (2017: \$Nil; 1 January 2017: \$Nil) and an assignment of all rights, title and interests in the construction contract, insurance policies, performance bonds and tenancy agreements in respect of the building.

SGD term loan (A) at SOR + 1.25% p.a.

The SGD term loan (A) at SOR + 1.25% p.a. is denominated in SGD, bears interest at SWAP offer rate ("SOR") + 1.25% (2017: SOR + 1.25%; 1 January 2017: SOR + 1.25%) per annum and is fully repayable by 2020. The loan is secured by a corporate guarantee given by the Company.

SGD term loans (B) at SOR + 1.25% p.a.

The SGD term loans (B) at SOR + 1.25% p.a. are denominated in SGD, bear interest at SOR + 1.25% (2017: SOR + 1.25%; 1 January 2017: Nil%) per annum and are fully repayable in 2019. The loans are secured by corporate guarantees given by the Company.

MYR term loan at 6.25% p.a.

The MYR term loan at 6.25% p.a. is denominated in MYR, bears interest at 6.25% (2017: 6.25%; 1 January 2017: 6.25%) per annum and is fully repayable by 2023. The loan is secured by a first mortgage over freehold land and building with an aggregate net carrying amount of \$11,436,000 (2017: \$11,603,000; 1 January 2017: \$11,466,000), a corporate guarantee given by the Company and short-term deposits of \$197,000 (2017: \$197,000; 1 January 2017: \$193,000).

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

The callable MYR term loan at BLR - 2% p.a. is denominated in MYR, bears interest at BLR - 2% (2017: BLR - 2%; 1 January 2017: BLR - 2%) per annum and is fully repayable on demand. The loan is secured by a first mortgage over freehold land and building with an aggregate net carrying amount of \$1,648,000 (2017: \$1,671,000; 1 January 2017: \$1,651,000), a corporate guarantee given by a subsidiary, Kingsmen Sdn Bhd and personal guarantees given by certain directors of a subsidiary, Kingsmen Exhibits Sdn Bhd.

MYR term loan at BECOF + 1% p.a.

The MYR term loan at BECOF + 1% p.a. is denominated in MYR, bears interest at bank effective cost of funds ("BECOF") + 1% (2017: BECOF + 1%; 1 January 2017: BECOF + 1%) per annum and is fully repayable in 2019. The loan is secured by a first mortgage over freehold land and building with an aggregate net carrying amount of \$11,436,000 (2017: \$11,603,000; 1 January 2017: \$11,466,000), a corporate guarantee given by the Company and short-term deposits of \$197,000 (2017: \$197,000; 1 January 2017: \$193,000).



NOTES TO THE FINANCIAL STATEMENTS

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30. OTHER FINANCIAL LIABILITIES (CONT'D)

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

The MYR term loan at BECOF + 1.5% p.a. is denominated in MYR, bears interest at BECOF + 1.5% (2017: BECOF + 1.5%; 1 January 2017: BECOF + 1.5%) per annum and is fully repayable by 2031. The loan is secured by a first mortgage over freehold land and building with an aggregate net carrying amount of \$1,677,000 (2017: \$1,702,000; 1 January 2017: \$1,680,000), corporate guarantees given by the Company and a subsidiary, Kingsmen Sdn Bhd and personal guarantees given by certain directors of a subsidiary, Kingsmen Projects Sdn Bhd.

VND term loans at BLR + 2% p.a.

The Vietnam Dong ("VND") term loans at BLR + 2% p.a. are denominated in VND, bear interest at BLR + 2% (2017: BLR + 2%; 1 January 2017: BLR + 2%) per annum and are fully repayable in 2019. The loans are secured by corporate guarantees given by the Company.

Finance leases

The Group entered into a finance lease for a motor vehicle during the reporting year ended 31 December 2018. There are no restrictions placed upon the Group by entering into the lease. The lease period is 36 months and the amount of finance lease obligations is fully repayable by 2021. The average effective interest rate implicit in the lease is 6.56% per annum. The outstanding amount of finance lease obligations is secured by way of a legal mortgage on the underlying lease asset (Note 15).

The Group had a finance lease for a motor vehicle of which the amount of finance lease obligations, secured by way of a legal mortgage on the underlying asset, was fully repaid during the reporting year ended 31 December 2017 (Note 15). There were no restrictions placed upon the Group by entering into the lease. The lease period was 48 months. The average effective interest rate implicit in the lease was 10.90% (1 January 2017: 10.90%) per annum.

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

	2018		Group 2017		1 January 2017	
	Minimum lease payments \$'000	Present value of payments \$'000	Minimum lease payments \$'000	Present value of payments \$'000	Minimum lease payments \$'000	Present value of payments \$'000
Not later than one year	13	5	-	-	7	6
Later than one year and not later than five years	77	72	-	-	-	-
Total minimum lease payments	90	77	-	-	7	6
Less: Amounts representing finance charges	(13)	-	-	-	(1)	-
Present value of minimum lease payments	77	77	-	-	6	6



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

30. OTHER FINANCIAL LIABILITIES (CONT'D)

A reconciliation of liabilities arising from financing activities is as follows:

	2017 \$'000	Cash flows \$'000	Group Non-cash changes			2018 \$'000
			Acquisition \$'000	Foreign exchange movement \$'000	Other \$'000	
Loans and borrowings						
- current	8,465	3,260	-	(9)	1,444	13,160
- non-current	5,468	18,425	-	(11)	(1,444)	22,438
Finance lease						
- current	-	(1)	6	-	-	5
- non-current	-	-	72	-	-	72
	13,933	21,684	78	(20)	-	35,675

	1 January 2017 \$'000	Cash flows \$'000	Non-cash changes			2017 \$'000
			Foreign exchange movement \$'000	Other \$'000		
Loans and borrowings						
- current	4,243	2,690	105	1,427	8,465	
- non-current	6,807	-	88	(1,427)	5,468	
Finance lease						
- current	6	(6)	-	-	-	
	11,056	2,684	193	-	13,933	

The "other" column relates to reclassification of non-current portion of loans and borrowings due to passage of time.

31. OTHER LIABILITIES

	Group		
	2018 \$'000	2017 \$'000	1 January 2017 \$'000
Deferred advance billing income	1,474	2,367	2,025
Provision for performance share scheme	196	122	582
	1,670	2,489	2,607



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32. DIVIDENDS

	Group and Company	
	2018	2017
	\$'000	\$'000
<hr/>		
<u>Declared and paid during the year</u>		
Dividends on ordinary shares		
- Final tax exempt one-tier dividend for 2017: \$0.015 (2016: \$0.015) per ordinary share	2,994	2,987
- Interim tax exempt one-tier dividend for 2018: \$0.010 (2017: \$0.010) per ordinary share	1,995	1,991
	<hr/>	<hr/>
	4,989	4,978
<u>Proposed but not recognised as a liability as at 31 December</u>		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting		
- Final tax exempt one-tier dividend for 2018: \$0.015 (2017: \$0.015) per ordinary share	3,021	2,987
	<hr/>	<hr/>

33. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

Classification of financial assets and liabilities

The carrying amounts of financial assets and liabilities recorded at the end of the reporting year are as follows:

	Group	Company
	2018	2018
	\$'000	\$'000
<hr/>		
<u>Financial assets</u>		
Debt instruments at amortised cost		
- Trade and other receivables	108,882	6,302
- Cash and cash equivalents	79,757	10,563
Equity instruments at fair value through other comprehensive income		
- Quoted equity shares	2,491	2,491
- Unquoted equity shares	38	38
At end of the year	<hr/>	<hr/>
	191,168	19,394
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
- Trade and other payables	120,789	3,687
- Other financial liabilities	35,675	19,665
At end of the year	<hr/>	<hr/>
	156,464	23,352



NOTES TO THE FINANCIAL STATEMENTS

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33. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Classification of financial assets and liabilities (cont'd)

	Group		Company	
	2017	1 January 2017	2017	1 January 2017
	\$'000	\$'000	\$'000	\$'000
<u>Financial assets</u>				
Loans and receivables				
- Trade and other receivables	94,546	105,489	5,841	5,858
- Cash and cash equivalents	73,609	76,155	3,373	10,041
Available-for-sale financial assets				
- Quoted equity shares	4,275	4,266	4,275	4,266
- Unquoted equity shares	38	38	38	38
Held-to-maturity investment				
- 4% p.a. US bonds due on 23 October 2017 (quoted)	-	1,014	-	1,014
At end of the year	172,468	186,962	13,527	21,217
<u>Financial liabilities</u>				
Financial liabilities at amortised cost				
- Trade and other payables	98,011	111,905	2,852	2,472
- Other financial liabilities	13,933	11,056	-	-
At end of the year	111,944	122,961	2,852	2,472

Further quantitative disclosures are included throughout these financial statements.

Fair values of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value are disclosed in the relevant notes to the financial statements, where required. These include both the financial instruments stated at amortised cost and at fair value in the statements of financial position. The carrying amounts of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amounts of current financial instruments are reasonable approximation of their fair values. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year.

Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the Group's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate risk, foreign currency risk and equity price risk. Management has certain practices for the management of these financial risks. All financial risk management activities are carried out based on good market practices and are monitored by management staff. The Group's overall financial risk management strategy seeks to minimise the potential material adverse effects from these financial risk exposures. The information about the Group's exposure to each of the above risks and the Group's objectives, policies and processes for measuring and managing these risks are presented below. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures these risks.



NOTES TO THE FINANCIAL STATEMENTS

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33. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Financial risk management (cont'd)

Credit risk on financial assets and contract assets

Credit risk is the risk of financial loss to the Group if a counterparty fails to meet its contractual obligations and arises principally from the Group's cash and cash equivalents, trade and other receivables, other investments and contract assets. As the Group does not hold collateral, the maximum exposure to credit risk is the total of the fair values of the financial assets and contract assets.

To the extent that it is feasible, the Group assesses credit risk on assets on an individual basis. In cases where that process is not feasible, a collective assessment is performed. The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. The Group considers an asset to be in default when the counterparty is unlikely to pay its credit obligations to the Group in full, without recourse actions by the Group, if any. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information which includes internal credit rating, external credit rating, actual or expected significant changes in the operating results, actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the ability to meet obligations and significant increases in credit risk on other financial instruments of the counterparty. The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk of an asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Credit risk on cash balances with banks and financial institutions, other receivables and other investments is limited because the counterparties are entities with acceptable credit ratings. Note 26 discloses the maturity of the cash and cash equivalents balances. Other receivables are normally with no fixed terms and therefore there is no maturity. Note 20 discloses the maturity of the other investments balances.

For credit risk on trade receivables and contract assets, an ongoing credit evaluation is performed on the financial condition of the debtors and an allowance for expected credit losses is recognised in profit or loss where necessary. The Group's exposure to credit risk on trade receivables and contract assets is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management. As part of the process of setting customer credit limits, different credit terms are used. The credit period granted to customers is generally between 60 to 90 (2017: 60 to 90) days.

There is no significant concentration of credit risk on trade receivables as the exposure is spread over a large number of customers. As at the end of the reporting year, approximately 9% (2017: 9%; 1 January 2017: 14%) and 70% (2017: 61%; 1 January 2017: 55%) of the Group and the Company's trade receivables are due from three customers as follows:



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

33. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Financial risk management (cont'd)

Credit risk on financial assets and contract assets (cont'd)

	Group			Company		
	2018	2017	1 January 2017	2018	2017	1 January 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Top 1 customer	3,169	3,242	6,387	637	536	424
Top 2 customer	3,139	2,689	4,595	148	148	148
Top 3 customer	2,254	2,080	2,619	120	134	148

Ageing analysis of trade receivables that are past due as at the end of the reporting year but not impaired is as follows:

	Group			Company		
	2018	2017	1 January 2017	2018	2017	1 January 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Past due less than 30 days	3,562	3,794	2,020	–	67	–
Past due 31 to 60 days	2,874	1,525	2,014	–	–	–
Past due 61 to 90 days	1,810	1,921	1,022	252	366	473
Past due over 90 days	13,620	13,263	9,411	573	413	312
	21,866	20,503	14,467	825	846	785

Ageing analysis of trade receivables as at the end of the reporting year that are impaired is as follows:

	Group			Company		
	2018	2017	1 January 2017	2018	2017	1 January 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Past due over 365 days	1,832	1,460	1,551	–	–	–

Liquidity risk – financial liabilities maturity analysis

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Group's reputation.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

33. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Financial risk management (cont'd)

Liquidity risk – financial liabilities maturity analysis (cont'd)

The following tables analyse the financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows) at the end of the reporting year:

	Due less than 1 year \$'000	Due within 2 – 5 years \$'000	Due after 5 years \$'000	Total \$'000
Group				
2018				
Trade and other payables	119,642	1,147	–	120,789
Other financial liabilities	14,780	10,838	16,149	41,767
At end of the year	<u>134,422</u>	<u>11,985</u>	<u>16,149</u>	<u>162,556</u>
2017				
Trade and other payables	96,816	1,195	–	98,011
Other financial liabilities	9,462	4,992	1,412	15,866
At end of the year	<u>106,278</u>	<u>6,187</u>	<u>1,412</u>	<u>113,877</u>
1 January 2017				
Trade and other payables	110,660	1,245	–	111,905
Other financial liabilities	5,315	5,922	2,367	13,604
At end of the year	<u>115,975</u>	<u>7,167</u>	<u>2,367</u>	<u>125,509</u>
Company				
2018				
Trade and other payables	3,687	–	–	3,687
Other financial liabilities	1,822	7,289	14,799	23,910
At end of the year	<u>5,509</u>	<u>7,289</u>	<u>14,799</u>	<u>27,597</u>
2017				
Trade and other payables	2,852	–	–	2,852
Other financial liabilities	–	–	–	–
At end of the year	<u>2,852</u>	<u>–</u>	<u>–</u>	<u>2,852</u>
1 January 2017				
Trade and other payables	2,472	–	–	2,472
Other financial liabilities	–	–	–	–
At end of the year	<u>2,472</u>	<u>–</u>	<u>–</u>	<u>2,472</u>

The undiscounted amounts on the other financial liabilities with fixed and floating interest rates are determined by reference to the conditions existing at the end of the reporting year.

It is expected that all the liabilities will be settled at their contractual maturity. The credit period taken to settle trade payables is generally between 30 to 90 (2017: 30 to 90) days. Other payables are normally with no fixed terms and therefore there is no maturity. In order to meet such cash commitments, the operating activities are expected to generate sufficient cash inflows.



NOTES TO THE FINANCIAL STATEMENTS

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33. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Financial risk management (cont'd)

Liquidity risk – financial liabilities maturity analysis (cont'd)

The following tables analyse the financial guarantee contracts based on the earliest dates in which the maximum guaranteed amount could be drawn upon:

	Due less than 1 year \$'000	Due within 2 – 5 years \$'000	Due after 5 years \$'000	Total \$'000
Group				
2018				
Financial guarantee contracts	28,431	9,076	1,027	38,534
2017				
Financial guarantee contracts	28,317	8,806	1,117	38,240
1 January 2017				
Financial guarantee contracts	16,995	12,339	1,958	31,292
Company				
2018				
Financial guarantee contracts	26,944	9,076	1,027	37,047
2017				
Financial guarantee contracts	26,808	8,806	1,117	36,731
1 January 2017				
Financial guarantee contracts	15,473	12,339	1,958	29,770

As at the end of the reporting year, no claims on the financial guarantee contracts are expected.

Interest rate risk

The Group's exposure to interest rate risk relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Group on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

33. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Financial risk management (cont'd)

Interest rate risk (cont'd)

The interest rate risk exposure is from changes in fixed and floating interest rates. The breakdown of the significant financial instruments by type of interest rate is as follows:

	Group			Company		
	2018 \$'000	2017 \$'000	1 January 2017 \$'000	2018 \$'000	2017 \$'000	1 January 2017 \$'000
<u>Financial assets</u>						
Fixed rate	20,595	13,576	17,149	8,365	1,860	10,024
Floating rate	48,790	49,418	53,455	2,866	2,180	1,532
	<u>69,385</u>	<u>62,994</u>	<u>70,604</u>	<u>11,231</u>	<u>4,040</u>	<u>11,556</u>
<u>Financial liabilities</u>						
Fixed rate	2,905	3,429	3,897	–	–	–
Floating rate	32,770	10,504	7,159	19,665	–	–
	<u>35,675</u>	<u>13,933</u>	<u>11,056</u>	<u>19,665</u>	<u>–</u>	<u>–</u>

Sensitivity analysis

For the floating rate financial assets and liabilities, a hypothetical increase of 100 (2017: 100) basis points in interest rate at the end of the reporting year would increase/(decrease) pre-tax profit for the reporting year by the amounts shown below. A decrease of 100 (2017: 100) basis points in interest rate would have an equal but opposite effect. This analysis assumes all other variables remain constant.

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Pre-tax profit for the reporting year	<u>160</u>	<u>389</u>	<u>(168)</u>	<u>22</u>

The hypothetical change in basis point is not based on observable market data (unobservable inputs).

Foreign currency risk

The Group has exposure to foreign currency movements on financial assets and financial liabilities denominated in foreign currencies. It also has exposure on sales and purchases that are denominated in foreign currencies. The currencies giving rise to the foreign currency risk are primarily the SGD, United States Dollar ("USD"), Hong Kong Dollar ("HKD"), Thai Baht ("THB"), China Renminbi ("RMB") and Emirati Dirham ("AED"). The Group hedges its foreign currency exposure should the need arise through the use of forward foreign currency contracts.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

33. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Financial risk management (cont'd)

Foreign currency risk (cont'd)

Other than as disclosed elsewhere in the financial statements, the Group's exposures to foreign currencies are as follows:

Group	SGD \$'000	USD \$'000	HKD \$'000	THB \$'000	RMB \$'000	Others \$'000	Total \$'000
2018							
<u>Financial assets</u>							
Trade and other receivables	8	3,080	787	–	130	1,264	5,269
Cash and cash equivalents	1,381	9,720	356	–	732	223	12,412
Quoted equity shares	–	–	–	2,491	–	–	2,491
Unquoted equity shares	–	–	–	–	–	38	38
Total financial assets	1,389	12,800	1,143	2,491	862	1,525	20,210
<u>Financial liabilities</u>							
Trade and other payables	293	1,145	157	–	769	1,372	3,736
Other financial liabilities	–	–	–	–	–	–	–
Total financial liabilities	293	1,145	157	–	769	1,372	3,736
Net financial assets	1,096	11,655	986	2,491	93	153	16,474
2017							
<u>Financial assets</u>							
Trade and other receivables	11	2,843	937	–	44	811	4,646
Cash and cash equivalents	1,802	9,179	514	–	1,051	213	12,759
Quoted equity shares	–	–	–	4,275	–	–	4,275
Unquoted equity shares	–	–	–	–	–	38	38
Total financial assets	1,813	12,022	1,451	4,275	1,095	1,062	21,718
<u>Financial liabilities</u>							
Trade and other payables	28	412	131	–	83	198	852
Other financial liabilities	–	–	–	–	–	–	–
Total financial liabilities	28	412	131	–	83	198	852
Net financial assets	1,785	11,610	1,320	4,275	1,012	864	20,866
1 January 2017							
<u>Financial assets</u>							
Trade and other receivables	33	5,891	236	–	857	1,514	8,531
Cash and cash equivalents	1,392	11,942	974	–	847	26	15,181
Quoted equity shares	–	–	–	4,266	–	–	4,266
Unquoted equity shares	–	–	–	–	–	38	38
Total financial assets	1,425	17,833	1,210	4,266	1,704	1,578	28,016
<u>Financial liabilities</u>							
Trade and other payables	37	398	153	–	449	577	1,614
Other financial liabilities	–	–	–	–	–	–	–
Total financial liabilities	37	398	153	–	449	577	1,614
Net financial assets	1,388	17,435	1,057	4,266	1,255	1,001	26,402



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

33. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Financial risk management (cont'd)

Foreign currency risk (cont'd)

Company	USD \$'000	THB \$'000	AED \$'000	Others \$'000	Total \$'000
2018					
<u>Financial assets</u>					
Trade and other receivables	222	–	2,324	132	2,678
Cash and cash equivalents	236	–	–	–	236
Quoted equity shares	–	2,491	–	–	2,491
Unquoted equity shares	–	–	–	38	38
Total financial assets	458	2,491	2,324	170	5,443
<u>Financial liabilities</u>					
Trade and other payables	–	–	–	–	–
Other financial liabilities	–	–	–	–	–
Total financial liabilities	–	–	–	–	–
Net financial assets	458	2,491	2,324	170	5,443
2017					
<u>Financial assets</u>					
Trade and other receivables	147	–	2,281	110	2,538
Cash and cash equivalents	11	–	–	–	11
Quoted equity shares	–	4,275	–	–	4,275
Unquoted equity shares	–	–	–	38	38
Total financial assets	158	4,275	2,281	148	6,862
<u>Financial liabilities</u>					
Trade and other payables	–	–	–	–	–
Other financial liabilities	–	–	–	–	–
Total financial liabilities	–	–	–	–	–
Net financial assets	158	4,275	2,281	148	6,862
1 January 2017					
<u>Financial assets</u>					
Trade and other receivables	401	–	2,469	–	2,870
Cash and cash equivalents	–	–	–	–	–
Quoted equity shares	–	4,266	–	–	4,266
Unquoted equity shares	–	–	–	38	38
Total financial assets	401	4,266	2,469	38	7,174
<u>Financial liabilities</u>					
Trade and other payables	–	–	–	–	–
Other financial liabilities	–	–	–	–	–
Total financial liabilities	–	–	–	–	–
Net financial assets	401	4,266	2,469	38	7,174



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

33. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Financial risk management (cont'd)

Foreign currency risk (cont'd)

Sensitivity analysis

A hypothetical 3% (2017: 3%) strengthening of the above currencies against the functional currency of the respective entities of the Group at the end of the reporting year would increase pre-tax profit for the reporting year by the amounts shown below. A 3% (2017: 3%) weakening of the above currencies against the functional currency of the respective entities of the Group would have an equal but opposite effect. This analysis assumes all other variables remain constant.

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Pre-tax profit for the reporting year	494	626	163	206

The hypothetical sensitivity rate used in the above table is the reasonably possible change in foreign exchange rates.

Equity price risk

The Group is exposed to equity price risk arising from its investment in quoted equity shares of Kingsmen C.M.T.I. Public Company Limited of \$2,491,000 (2017: \$4,275,000; 1 January 2017: \$4,266,000) at the end of the reporting year. The investment in quoted equity shares is classified as an equity instrument at fair value through other comprehensive income as disclosed in Note 20. The quoted equity shares are traded on the Market for Alternative Investment of the Stock Exchange of Thailand.

Sensitivity analysis

A hypothetical 5% (2017: 5%) increase in the equity price for the quoted equity shares at the end of the reporting year would increase other comprehensive income for the reporting year by the amounts shown below. A 5% (2017: 5%) decrease in the equity price for the quoted equity shares would have an equal but opposite effect. This analysis assumes all other variables remain constant.

	Group and Company	
	2018 \$'000	2017 \$'000
Other comprehensive income for the reporting year	125	214

The hypothetical sensitivity rate used in the above table is the reasonably possible change in equity price.



NOTES TO THE FINANCIAL STATEMENTS

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34. CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure contracted for at the end of the reporting year but not recognised in the financial statements are as follows:

	Group and Company		
	2018 \$'000	2017 \$'000	1 January 2017 \$'000
Commitments in respect of the construction of building	11	11,605	22,452

35. OPERATING LEASE PAYMENT COMMITMENTS – AS LESSEE

The Group has entered into lease agreements for production, office, retail, storage and dormitory facilities and equipment. These leases, of which some are cancellable, have remaining lease terms of between 1 to 6 (2017: 1 to 6; 1 January 2017: 1 to 5) years. Some of these leases have renewal options or escalation clauses included in the contracts and provide for contingent rent based on a percentage of revenue in excess of the base rent. There are no restrictions placed upon the Group by entering into these leases.

Future minimum lease payments (fixed portion) payable under operating leases at the end of the reporting year are as follows:

	Group			Company		
	2018 \$'000	2017 \$'000	1 January 2017 \$'000	2018 \$'000	2017 \$'000	1 January 2017 \$'000
Not later than one year	2,839	3,350	3,946	644	1,922	1,922
Later than one year and not later than five years	8,459	2,312	4,013	5	649	2,556
Later than five years	7	51	–	–	–	–
	11,305	5,713	7,959	649	2,571	4,478

36. OPERATING LEASE INCOME COMMITMENTS – AS LESSOR

The Group has entered into lease agreements for office facilities and machinery. These non-cancellable leases have remaining lease terms of between 1 to 3 (2017: 1 and 2; 1 January 2017: 2 and 3) years with no renewal option or escalation clauses included in the contracts.

Future minimum lease payments (fixed portion) receivable under operating leases at the end of the reporting year are as follows:

	Group			Company		
	2018 \$'000	2017 \$'000	1 January 2017 \$'000	2018 \$'000	2017 \$'000	1 January 2017 \$'000
Not later than one year	878	1,599	1,534	2,977	1,279	2,088
Later than one year and not later than five years	656	475	2,052	656	286	1,565
	1,534	2,074	3,586	3,633	1,565	3,653



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

37. CONTINGENT LIABILITIES

The Group has provided corporate guarantees to banks amounting to \$38,534,000 (2017: \$38,240,000; 1 January 2017: \$31,292,000) in connection with banking facilities granted to its subsidiaries.

38. EVENT AFTER THE END OF THE REPORTING YEAR

On 15 February 2019, the Company completed the acquisition of a 10% equity interest in Kingsmen Indochina Pte Ltd ("Kingsmen Indochina"), thereby increasing its equity interest in Kingsmen Indochina from 90% to 100%. The payment consideration of \$917,000 was satisfied by the allotment and issuance of 1,835,468 new ordinary shares in the share capital of the Company. The principal activity of Kingsmen Indochina is investment holding.

39. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS

Singapore incorporated companies listed on the Singapore Exchange Securities Trading Limited are required to adopt SFRS(I), as issued by the Singapore Accounting Standards Council, for the reporting year ended 31 December 2018 onwards. Accordingly, the Group has prepared financial statements that comply with the SFRS(I) applicable for the reporting year ended 31 December 2018. The accounting policies set out in Note 2 have been applied in preparing the financial statements for the reporting year ended 31 December 2018, the comparative information presented in the financial statements for the reporting year ended 31 December 2017 and in the preparation of the opening SFRS(I) statements of financial position as at 1 January 2017 which is the date of transition to SFRS(I), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1 First-time Adoption of SFRS(I). In preparing the opening SFRS(I) statements of financial position as at 1 January 2017, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with FRS.

The accounting policies adopted are consistent with those previously applied under FRS except that in the current reporting year, the Group has adopted all the SFRS(I) that are effective for annual periods beginning on or after 1 January 2018. Other than the effects of the matter as described below, the adoption of the SFRS(I) and the adoption of the new SFRS(I) that are effective for annual periods beginning on or after 1 January 2018 have no material impact on the financial statements.

In adopting the SFRS(I), the Group has elected for the optional exemption to reset its cumulative translation differences for foreign operations to zero at the date of transition at 1 January 2017. As a result, cumulative translation losses of \$1,825,000 were reclassified from foreign currency translation reserve to retained earnings as at 1 January 2017.

The following reconciliations summarise the impact on initial adoption of SFRS(I) 1 First-time Adoption of SFRS(I) on the Group's statement of financial position as at 1 January 2017 and 31 December 2017. There were no adjustments to the Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the reporting year ended 31 December 2017. There were also no adjustments to the Company's statement of financial position as at 1 January 2017 and 31 December 2017.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

39. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

	Reported under FRS \$'000	Group 31 December 2017 Effects of applying SFRS(I) 1 \$'000	Reported under SFRS(I) \$'000
ASSETS			
Non-current assets	60,237		60,237
Current assets	186,128		186,128
Total assets	<u>246,365</u>		<u>246,365</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	27,710		27,710
Retained earnings	97,507	(1,825)	95,682
Other reserves	(4,293)	1,825	(2,468)
	<u>120,924</u>		<u>120,924</u>
Non-controlling interests	1,126		1,126
Total equity	<u>122,050</u>		<u>122,050</u>
Non-current liabilities	7,059		7,059
Current liabilities	117,256		117,256
Total liabilities	<u>124,315</u>		<u>124,315</u>
Total equity and liabilities	<u>246,365</u>		<u>246,365</u>
		1 January 2017 Effects of applying SFRS(I) 1 \$'000	
	Reported under FRS \$'000	\$'000	Reported under SFRS(I) \$'000
ASSETS			
Non-current assets	50,828		50,828
Current assets	208,203		208,203
Total assets	<u>259,031</u>		<u>259,031</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	27,130		27,130
Retained earnings	92,900	(1,825)	91,075
Other reserves	(3,204)	1,825	(1,379)
	<u>116,826</u>		<u>116,826</u>
Non-controlling interests	1,844		1,844
Total equity	<u>118,670</u>		<u>118,670</u>
Non-current liabilities	8,426		8,426
Current liabilities	131,935		131,935
Total liabilities	<u>140,361</u>		<u>140,361</u>
Total equity and liabilities	<u>259,031</u>		<u>259,031</u>



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

40. NEW AND REVISED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

For the future reporting periods, new and revised SFRS(I) applicable to the Group were issued by the Singapore Accounting Standards Council as below and these will only be effective for future reporting periods.

SFRS(I) No.	Title	Effective date for periods beginning on or after
Various	Annual improvements to SFRS(I) 2015 – 2017 Cycle	1 January 2019
SFRS(I) 1-28	Long-term Interests in Associates and Joint Ventures	1 January 2019
SFRS(I) 9	Amendments to SFRS(I) 9: Prepayment Features with Negative Compensation	1 January 2019
SFRS(I) 16	Leases Illustrative Examples	1 January 2019
SFRS(I) INT 23	Amendments to Guidance on Other Standards Uncertainty over Income Tax Treatments Illustrative Examples	1 January 2019
SFRS(I) 10 and SFRS(I) 1-28	Amendments to SFRS(I) 10 and SFRS(I) 1-28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Except for SFRS(I) 16 Leases, the Group expects that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes on adoption of SFRS(I) 16 is described below.

SFRS(I) 16 Leases

SFRS(I) 16 will result in almost all leases being recognised on the statement of financial position as the distinction between operating and finance leases is removed. Under SFRS(I) 16, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly. The Group is finalising the detailed assessment of the impact of adopting this new standard on the financial statements in the period of initial application. It is currently not practicable to disclose any further information on the known or reasonably estimable impact to the financial statements until the detailed assessment is finalised.



MAJOR PROPERTIES

Description	Location	Land / Built-in Area (sq ft)	Tenure / Expiry
Office, production and storage facilities	No. 5 Jalan 6/2B Taman Industri Selesa Jaya 43300 Seri Kembangan Selangor Darul Ehsan Malaysia	38,813 (Land) 19,824 (Built-in)	Freehold
Office, production and storage facilities	No. 7 Jalan 6/2B Taman Industri Selesa Jaya 43300 Seri Kembangan Selangor Darul Ehsan Malaysia	38,386 (Land) 19,824 (Built-in)	Freehold
Office, production and storage facilities	Lot 2592 Jalan Perindustrian 3 Kawasan Perindustrian Senai 2 81400 Senai Johor Darul Takzim Malaysia	399,384 (Land) 155,496 (Built-in)	Freehold
Office facilities	22 Changi Business Park Central 2 The Kingsmen Experience Singapore 486032	56,521 (Land) 141,306 (Built-in)	30 years, expiring on 30 November 2045



STATISTICS OF SHAREHOLDINGS

AS AT 11 MARCH 2019

Number of issued shares	:	201,410,729
Class of shares	:	Ordinary share
Voting rights	:	One vote per ordinary share

TREASURY SHARES AND SUBSIDIARY HOLDINGS

The Company does not hold any treasury shares and does not have subsidiary holdings.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 - 99	3	0.16	120	0.00
100 - 1,000	137	7.29	96,690	0.05
1,001 - 10,000	895	47.63	5,158,750	2.56
10,001 - 1,000,000	823	43.80	40,921,206	20.32
1,000,001 and above	21	1.12	155,233,963	77.07
Total	1,879	100.00	201,410,729	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	ISLANDA PTE. LTD.	37,993,060	18.86
2.	O-VEST PTE. LTD.	37,993,060	18.86
3.	DBS NOMINEES (PRIVATE) LIMITED	12,783,199	6.35
4.	CITIBANK NOMINEES SINGAPORE PTE LTD	10,270,100	5.10
5.	SOH SIAK POH BENEDICT	8,540,849	4.24
6.	SIMON ONG CHIN SIM	8,340,830	4.14
7.	RAFFLES NOMINEES (PTE) LIMITED	4,223,800	2.10
8.	PEOK CHONG ENG	4,222,479	2.10
9.	CHONG SIEW LING	4,150,531	2.06
10.	CHONG FOOK SENG PATRICK	4,014,000	1.99
11.	ONG CHIN KWAN	3,622,650	1.80
12.	JONATHAN CHADWICK	2,400,000	1.19
13.	LIM HOCK CHYE STEPHEN	2,386,003	1.18
14.	CHEONG CHAI KENG	2,275,038	1.13
15.	TAN AI LIN	2,245,573	1.12
16.	NG KWONG CHONG OR LIU OI FUI IVY	2,140,500	1.06
17.	TAY KAY SOCK GERALD	1,970,349	0.98
18.	PHILLIP SECURITIES PTE LTD	1,453,200	0.72
19.	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,446,642	0.72
20.	ABN AMRO CLEARING BANK N.V.	1,423,800	0.71
	TOTAL	153,895,663	76.41



STATISTICS OF SHAREHOLDINGS

AS AT 11 MARCH 2019

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Soh Siak Poh Benedict ⁽¹⁾	8,540,849	4.24	37,993,060	18.86
Simon Ong Chin Sim ⁽²⁾	8,340,830	4.14	37,993,060	18.86
Islanda Pte. Ltd.	37,993,060	18.86	–	–
O-Vest Pte. Ltd.	37,993,060	18.86	–	–
Png Geok Choo Rose ⁽¹⁾	–	–	37,993,060	18.86
Soh E-Ling Marianne ⁽¹⁾	–	–	37,993,060	18.86
Soh Hsien Wern Gavin ⁽¹⁾	–	–	37,993,060	18.86
Jillian Soh E-Ping ⁽¹⁾	–	–	37,993,060	18.86
Vera Ong Lim Guek Noi ⁽²⁾	–	–	37,993,060	18.86
Ong Mei Lin Elita ⁽²⁾	–	–	37,993,060	18.86

Notes:

- (1) Mr Soh Siak Poh Benedict's, Mdm Png Geok Choo Rose's, Ms Soh E-Ling Marianne's, Mr Soh Hsien Wern Gavin's and 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, Cap. 50 of Singapore.
- (2) Mr Simon Ong Chin Sim's, Mdm Vera Ong Lim Guek Noi's and 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, Cap. 50 of Singapore.

PERCENTAGE OF SHAREHOLDING HELD IN THE HANDS OF PUBLIC

Based on information available to the Company as at 11 March 2019, approximately 44.48% of the issued ordinary shares (excluding treasury shares and subsidiary holdings) of the Company are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.



NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixteenth Annual General Meeting of Kingsmen Creatives Ltd. (the “**Company**”) will be held at 22 Changi Business Park Central 2, The Kingsmen Experience, Singapore 486032 on Tuesday, 30 April 2019 at 10.00 a.m. (the “**Annual General Meeting**”) for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a final tax exempt one-tier dividend of 1.5 Singapore cents per ordinary share for the financial year ended 31 December 2018. **(Resolution 2)**
3. To re-elect the following Directors of the Company retiring pursuant to Regulation 107 of the Constitution of the Company:

Mr. Soh Siak Poh Benedict **(Resolution 3)**
Mr. Chong Siew Ling **(Resolution 4)**
Mr. Prabhakaran S/O Narayanan Nair *[See Explanatory Note (i)]* **(Resolution 5)**
4. To approve the payment of Directors’ fees of S\$265,000 for the financial year ended 31 December 2018 (2017: S\$265,000). **(Resolution 6)**
5. To re-appoint RSM Chio Lim LLP as the Company’s Auditors and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**
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 of Singapore (the “**Companies Act**”) and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the capital of 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



NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING

- (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 of the Company 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 and subsidiary holdings) 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 and subsidiary holdings) 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 and subsidiary holdings) in the capital of the Company shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) 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 as amended from time to time (unless such compliance has been waived by the SGX-ST) and the Constitution 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 of the Company is required by law to be held, whichever is the earlier.”

[See Explanatory Note (ii)]

(Resolution 8)

8. **Proposed renewal of, and authority to allot and issue Shares under, the Kingsmen Performance Share Scheme**

“That:

- (a) the rules and details of which have been set out in the Circular to Shareholders dated 8 April 2019 pursuant to the renewal of the Kingsmen Performance Share Scheme (the “**Scheme**”), for a further period of ten (10) years from 30 April 2019 to 29 April 2029 be and are hereby approved and adopted; and



NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING

- (b) the Directors of the Company be and are hereby authorised:
- (i) to administer the Scheme;
 - (ii) to modify and/or amend the Scheme from time to time provided that such modifications and/or amendments are effected in accordance with the rules of the Scheme and to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Scheme;
 - (iii) pursuant to Section 161 of the Companies Act, the Directors of the Company be and are hereby authorised and empowered to grant awards in accordance with the Scheme and allot and issue from time to time such number of Shares to the holders of awards granted by the Company under the Scheme upon the vesting of such share awards in accordance with the terms and conditions of the Scheme, provided always that the aggregate number of Shares issued and issuable pursuant to the 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 and subsidiary holdings) in the capital of the Company from time to time; and
 - (iv) to complete and do all acts and things (including executing such documents as may be required) as they may consider necessary, desirable or expedient for the purposes of or to give effect to this Resolution as they think fit and in the interests of the Company.”

[See Explanatory Note (iii)]

(Resolution 9)

9. **Proposed participation by Mr. Soh Siak Poh Benedict in the Scheme**

“That pursuant to Rule 853 of the Listing Manual of the SGX-ST and subject to and contingent upon the passing of Resolution 9, the participation of Mr. Soh Siak Poh Benedict, a controlling shareholder of the Company, in the Scheme, be and is hereby approved.”

[See Explanatory Note (iv)]

(Resolution 10)

10. **Proposed participation by Mr. Simon Ong Chin Sim in the Scheme**

“That pursuant to Rule 853 of the Listing Manual of the SGX-ST and subject to and contingent upon the passing of Resolution 9, the participation of Mr. Simon Ong Chin Sim, a controlling shareholder of the Company, in the Scheme, be and is hereby approved.”

[See Explanatory Note (iv)]

(Resolution 11)

11. **Proposed participation by Mr. Roy Ong Chin Kwan in the Scheme**

“That pursuant to Rule 853 of the Listing Manual of the SGX-ST and subject to and contingent upon the passing of Resolution 9, the participation of Mr. Roy Ong Chin Kwan, an associate of a controlling shareholder of the Company, in the Scheme, be and is hereby approved.”

[See Explanatory Note (iv)]

(Resolution 12)



NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING

12. Proposed renewal of the Share Purchase Mandate

“That:

- (a) for the purposes of Sections 76C and 76E of 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 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 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 is required by law to be held;
 - (ii) the date on which Share purchases or acquisitions 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 ten per cent. (10%) of the issued ordinary Shares (excluding treasury shares and subsidiary holdings) of the Company as at the date of the passing of this Resolution; and

“**Maximum Price**” in relation to a Share to be purchased or acquired, means an amount (excluding brokerage, trading fee, clearing fee, applicable goods and services tax and other related expenses) not exceeding:

- (i) in the case of a Market Purchase: 105 per cent. (105%) of the Average Closing Price (as hereafter defined); and
- (ii) in the case of an Off-Market Purchase: 120 per cent. (120%) of the Highest Last Dealt Price (as hereafter defined),



NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING

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 (as hereafter defined) 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 or acquisition of Shares from shareholders of the Company stating the purchase or acquisition 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 (v)]

(Resolution 13)

By Order of the Board of Directors of the Company

Yang Yanru, Cheryl
Tan Yong Kwang
Joint Company Secretaries

Singapore
8 April 2019



NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr. Prabhakaran S/O 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. Prabhakaran S/O Narayanan Nair will continue to serve as the Chairman of the Nominating Committee and as a Member of the Audit Committee and Remuneration Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

(ii) The Ordinary Resolution 8 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, fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to twenty per cent. (20%) may be issued other than on a pro-rata basis to the shareholders of the Company.

For determining the aggregate number of Shares and convertible securities that may be issued, the total number of issued Shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) 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 9 proposed in item 8 above, if passed, will extend the Scheme and 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 to the holders of awards granted by the Company pursuant to the provisions of the Scheme. The Scheme was put into effect for an initial duration of up to ten (10) years commencing on 29 April 2009 and is expiring on 28 April 2019. Accordingly, the approval of the independent shareholders of the Company is being sought for an extension of the duration of the Scheme for a further period of ten (10) years from (and including) 30 April 2019 up to (and including) 29 April 2029.

Further details are set out in the Circular to Shareholders in relation to the Proposed Renewal of, and Authority to Allot and Issue Shares under, the Scheme enclosed together with the Annual Report.

(iv) The participation by the controlling shareholders of the Company and their associates under the Scheme must be approved by the independent shareholders of the Company. Mr. Soh Siak Poh Benedict and Mr. Simon Ong Chin Sim are controlling shareholders of the Company. Mr. Roy Ong Chin Kwan is an immediate family member and thus an associate of Mr. Simon Ong Chin Sim.

Further details are set out in the Circular to Shareholders in relation to the Proposed Participation by Mr. Soh Siak Poh Benedict, Mr. Simon Ong Chin Sim and Mr. Roy Ong Chin Kwan in the Scheme enclosed together with the Annual Report.

(v) The Ordinary Resolution 13 proposed in item 12 above, if passed, will empower the Directors of the Company to purchase or otherwise acquire Shares by way of Market Purchases and/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 Circular to Shareholders in relation to the Proposed Renewal of the Share Purchase Mandate enclosed together with the Annual Report.



NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy in the instrument appointing the proxies.
3. A member who is a relevant intermediary entitled to attend and vote at the Annual General Meeting is entitled to appoint more than two proxies to attend and vote at the Annual General Meeting instead of such member, but each such proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the proportion of shareholdings in relation to which each proxy has been appointed.

“**relevant intermediary**” means:

- (a) a banking corporation licensed under the Banking Act, Cap. 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Cap. 289 of Singapore, and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board (the “**Board**”) established by the Central Provident Fund Act, Cap. 36 of Singapore (the “**Act**”), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. If the member is a corporation, the instrument appointing the proxy must be executed under its common seal or the hand of its attorney or a duly authorised officer.
 5. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act.
 6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 22 Changi Business Park Central 2, The Kingsmen Experience, Singapore 486032 not less than 48 hours before the time appointed for holding the Annual General Meeting.
 7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.



NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING

Personal Data Privacy:

By attending the Annual General Meeting and/or any adjournment thereof or submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and/or representatives appointed for the Annual General Meeting and/or any adjournment thereof and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting and/or any adjournment thereof, and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where a member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.



CIRCULAR DATED 8 APRIL 2019

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

This Circular is circulated to the shareholders (the “**Shareholders**”) of Kingsmen Creatives Ltd. (the “**Company**”), together with the Company’s annual report for the financial year ended 31 December 2018 (the “**Annual Report**”). Its purpose is to explain to the Shareholders the rationale for, and provide the Shareholders with information relating to, the proposed renewal of, and authority to allot and issue Shares (as defined herein) under, the Kingsmen Performance Share Scheme (the “**Scheme**”); and the proposed participation by Mr. Soh Siak Poh Benedict, Mr. Simon Ong Chin Sim and Mr. Roy Ong Chin Kwan in the Scheme, to be tabled at the annual general meeting (“**AGM**”) of the Company to be held on 30 April 2019 at 10.00 a.m. at 22 Changi Business Park Central 2, The Kingsmen Experience, Singapore 486032.

The notice of the Company’s AGM and a proxy form are enclosed with the Annual Report.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.

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

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

kingsmen

KINGSMEN CREATIVES LTD.

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

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

- (A) THE PROPOSED RENEWAL OF, AND AUTHORITY TO ALLOT AND ISSUE SHARES UNDER, THE KINGSMEN PERFORMANCE SHARE SCHEME; AND**
 - (B) THE PROPOSED PARTICIPATION BY:**
 - (I) MR. SOH SIAK POH BENEDICT, A CONTROLLING SHAREHOLDER OF THE COMPANY;**
 - (II) MR. SIMON ONG CHIN SIM, A CONTROLLING SHAREHOLDER OF THE COMPANY; AND**
 - (III) MR. ROY ONG CHIN KWAN, AN ASSOCIATE OF A CONTROLLING SHAREHOLDER OF THE COMPANY**
- IN THE KINGSMEN PERFORMANCE SHARE SCHEME**



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DEFINITIONS

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

“2019 AGM”	:	The annual general meeting of the Company to be held on 30 April 2019 at 10.00 a.m. at 22 Changi Business Park Central 2, The Kingsmen Experience, Singapore 486032
“Annual Report”	:	The annual report of the Company for the financial year ended 31 December 2018
“Associated Company”	:	A company in which at least 20% but not more than 50% of its shares are held by the Company or the Group and over which the Company has control
“Associated Company Employee”	:	An executive or non-executive director of an Associated Company or a full-time employee of an Associated Company selected by the Committee to participate in the Scheme
“Associates”	:	Shall bear the meaning ascribed to it in the Listing Manual
“Auditors”	:	The auditors of the Company for the time being
“Available Shares”	:	Has the meaning ascribed to it in Section 9.1(a)
“Award”	:	A contingent award of Shares granted under the Scheme
“Board”	:	The board of directors of the Company for the time being
“CDP”	:	The Central Depository (Pte) Limited
“Committee”	:	A committee comprising such Directors duly authorised and appointed by the Board to administer the Scheme
“Companies Act”	:	The Companies Act (Chapter 50) of Singapore, as amended, varied or supplemented from time to time
“Company”	:	Kingsmen Creatives Ltd.
“Controlling Shareholder”	:	A person who: (a) holds directly or indirectly 15% or more of the total number of issued Shares (excluding treasury shares and subsidiary holdings); or (b) in fact exercises control over the Company
“Directors”	:	Directors of the Company for the time being
“EPS”	:	Earnings per Share
“FY”	:	The financial year ended or ending (as the case may be) 31 December
“Group”	:	The Company and its subsidiaries



DEFINITIONS

“Group Employee”	:	Any employee of the Group (including any Group Executive Directors) who meets the relevant age and rank criteria and whose services had been seconded to a company within the Group selected by the Committee to participate in the Scheme, in accordance with the provisions thereof
“Group Executive Director”	:	A director of the Company and/or its subsidiaries, as the case may be, who performs an executive function within the Group
“Independent Directors”	:	The independent directors of the Company
“Independent Shareholders”	:	Shareholders other than Shareholders who are Participants or Associates of the Participants
“Latest Practicable Date”	:	11 March 2019, being the latest practicable date prior to the printing of this Circular
“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
“Non-Executive Director”	:	A person who is: (a) an Independent Director of the Company; or (b) a Director of the Company and/or any of its subsidiaries, as the case may be, other than a Group Executive Director
“NTA”	:	Net tangible assets
“Participant”	:	A person who is eligible to participate in the Scheme pursuant to the terms of eligibility under Section 3
“Performance Targets”	:	The performance targets prescribed by the Committee to be fulfilled by a Participant for any particular period under the Scheme
“Scheme”	:	The Kingsmen Performance Share Scheme, as may be amended, varied or supplemented from time to time
“Scheme Shares”	:	Has the meaning ascribed to it under Section 4
“Securities and Futures Act”	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended, varied or supplemented from time to time
“SGX-ST”	:	The 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. Any reference to Shares held by Shareholders shall include Shares standing to the credit of the respective Shareholders’ securities accounts



DEFINITIONS

“**Shares**” : Ordinary shares in the capital of the Company

Currencies and others

“**S\$**” : Singapore dollars

“**%**” or “**per cent**” : Per centum or percentage

The terms “**Depositor**”, “**Depository Register**” and “**Depository Agent**” shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act.

The term “**treasury share**” shall have the meaning ascribed to it in Section 4 of the Companies Act.

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

Any word defined under the Companies Act, the Listing Manual, the Securities and Futures Act or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning ascribed to it under the Companies Act, the Listing Manual, the Securities and Futures Act or any statutory modification thereof, as the case may be.

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. References to persons shall, where applicable, include corporations.

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

Any discrepancies in this Circular between the total sum of the figures stated and the total shown thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures which precede them.



LETTER TO SHAREHOLDERS

KINGSMEN CREATIVES LTD.
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200210790Z)

Directors:

Soh Siak Poh Benedict (Executive Chairman)
Simon Ong Chin Sim (Deputy Executive Chairman)
Cheng Oon Teck (Group Chief Executive Officer and Executive Director)
Chong Siew Ling (Group Managing Director, Exhibitions & Thematic and Executive Director)
Alex Wee Huat Seng (Group Managing Director, Retail & Corporate Interiors and Executive Director)
Prabhakaran s/o Narayanan Nair (Independent Director)
Tan Cher Liang (Independent Director)
Tan Guan Hiang (Independent Director)

Registered Office:

22 Changi Business Park Central 2
The Kingsmen Experience
Singapore 486032

8 April 2019

To: The Shareholders of Kingsmen Creatives Ltd.

Dear Shareholder,

(A) THE PROPOSED RENEWAL OF, AND AUTHORITY TO ALLOT AND ISSUE SHARES UNDER, THE KINGSMEN PERFORMANCE SHARE SCHEME; AND

(B) THE PROPOSED PARTICIPATION BY:

- (I) MR. SOH SIAK POH BENEDICT, A CONTROLLING SHAREHOLDER OF THE COMPANY;**
- (II) MR. SIMON ONG CHIN SIM, A CONTROLLING SHAREHOLDER OF THE COMPANY; AND**
- (III) MR. ROY ONG CHIN KWAN, AN ASSOCIATE OF A CONTROLLING SHAREHOLDER OF THE COMPANY**

IN THE KINGSMEN PERFORMANCE SHARE SCHEME

1. BACKGROUND

The Scheme was approved by Independent Shareholders at an extraordinary general meeting of the Company held on 29 April 2009. The Scheme was adopted for an initial duration of up to a maximum of ten (10) years, provided always that the Scheme may continue beyond the above stipulated period with the approval of Independent Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required. The initial duration of the Scheme will expire on 28 April 2019.



LETTER TO SHAREHOLDERS

2. PROPOSED RENEWAL AND RATIONALE

The Scheme will increase the Group's flexibility and effectiveness in its continuing efforts to reward, retain and motivate the Participants to achieve superior performance. The Scheme will further strengthen the Group's competitiveness in attracting and retaining talent.

The Scheme will also incentivise the Participants to excel in their performance and encourage greater dedication and loyalty to the Group. Through the Scheme, the Group will be able to recognise and reward past contributions and services and motivate the Participants to continue to strive for the Group's long-term prosperity. In addition, the Scheme aims to foster an ownership culture within the Group which aligns the interests of the Participants with the interests of the Shareholders.

The Scheme contemplates the award of fully paid Shares when prescribed Performance Targets are met and/or when due recognition should be given to any good work performance and/or any significant contribution to the Group by the Participants.

Further, the Scheme will complement the current practice of paying cash bonus payments to employees of the Group. The Group may pay a pre-determined percentage of a Group Employee's annual cash bonus payment in the form of Shares. The value of Shares to be issued and allotted to such Group Employees shall be calculated based on a pre-determined percentage of the value of the Group Employee's annual bonus and such pre-determined percentage shall be determined at the sole discretion of the Committee.

By giving the Group Employees the opportunity to participate in the equity of the Company as opposed to providing solely cash bonus payments for their performance, the Scheme aims to cultivate a greater sense of involvement in the Group amongst the Group Employees. The Company hence believes that the Scheme will be more effective than pure cash bonus payments in motivating the Group Employees to put in their best efforts whilst at the same time allowing the Group to offer incentives and remuneration packages comparable with other multi-national companies.

As the Scheme is a key component of the Group's compensation arrangements, the Directors propose that the Scheme be extended for a further period of ten (10) years from (and including) 30 April 2019 up to (and including) 29 April 2029.

The Company will seek the approval of the SGX-ST for the listing and quotation of the new Shares to be allotted and issued pursuant to the Scheme on the Main Board of the SGX-ST, subject to, *inter alia*, the approval of the renewal of, and authority to allot and issue Shares under, the Scheme from Independent Shareholders. Shareholders are advised that, if granted, the approval-in-principle from the SGX-ST for the listing and quotation of the new Shares shall not be taken as an indication of the merits of the Scheme and the Group.

Besides the proposed renewal of the Scheme, all other Rules of the Scheme remain unchanged. The Rules of the Scheme are set out in Schedule A of this Circular. In addition, for completeness, other salient features of the Scheme are set out below.

3. ELIGIBILITY

The Scheme allows for participation by Group Employees (including Group Executive Directors), Non-Executive Directors and Associated Company Employees who have attained the age of 21 years and above on or before the relevant date of Award provided that none shall be an undischarged bankrupt, and who, in the absolute discretion of the Committee, will be eligible to participate in the Scheme. Only Associated Company Employees from Associated Companies which the Company has control of will be eligible to participate in the Scheme.



LETTER TO SHAREHOLDERS

Persons eligible to participate in the Scheme who are also Controlling Shareholders or Associates of a Controlling Shareholder would be eligible to participate in the Scheme. However, pursuant to Rule 845 of the Listing Manual, (i) the aggregate number of shares available to the Controlling Shareholders and their Associates must not exceed 25% of the Shares available under the Scheme; and (ii) the number of Shares available to each Controlling Shareholder or his Associate must not exceed 10% of the Shares available under the Scheme.

Pursuant to Rule 853 of the Listing Manual, participation in the Scheme by Controlling Shareholders and their Associates must be approved by Independent Shareholders of the Company and a separate resolution must be passed for each such person and to approve the actual number and terms of Awards to be granted to such person.

Subject to the Companies Act and any requirement of the SGX-ST, the terms of eligibility for participation in the Scheme may be amended from time to time at the absolute discretion of the Committee.

4. SIZE AND DURATION OF THE SCHEME

The aggregate number of Shares available under the Scheme (“**Scheme Shares**”) shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) from time to time, in accordance with Rule 845(1) of the Listing Manual. As at the Latest Practicable Date, there is a total of 30,211,609 Scheme Shares, representing 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) and an aggregate of 491 Awards have been granted comprising a total of 9,316,410 Shares, representing 4.6% of the total number of issued Shares (excluding treasury shares and subsidiary holdings). The aggregate number of Shares in respect of Awards to be granted under the Scheme, together with the Shares in respect of Awards previously granted under the Scheme, shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) from time to time.

The Company will deliver Shares pursuant to the Awards granted under the Scheme in the form of existing Shares held as treasury shares and/or an issue of new Shares.

In determining whether to issue new Shares or to purchase existing Shares for delivery to the Participants upon vesting of their Awards, the Company will take into account factors such as (but not limited to) the number of Shares to be delivered, the prevailing market price of the Shares and the financial effect on the Group of either issuing new Shares or purchasing existing Shares.

The Scheme shall continue in force at the discretion of the Committee, subject to a maximum period of ten (10) years commencing on the date the renewal of the Scheme is approved by Independent Shareholders in general meeting, provided always that the Scheme may continue beyond the above stipulated period with the approval of Independent Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

The Scheme may be terminated at any time by the Committee or by resolution of the Company in general meeting subject to all relevant approvals, which may be required, and if the Scheme is terminated, no further Awards shall be vested by the Company.

5. AWARDS

Awards represent the right of a Participant to receive fully paid Shares free of charge, upon the Participant achieving prescribed Performance Targets and/or when due recognition should be given to any good work performance and/or significant contribution to the Group and/or when the Group decides to pay part of a Group Employee’s annual cash bonus payment in the form of Shares.



LETTER TO SHAREHOLDERS

The Participant's overall job performance, including his designation, creativity, innovativeness and entrepreneurship, potential for future development and contribution of the development and profitability of the Group will be taken into account before an Award is granted to him. In the case of a performance-related Award, the Performance Targets to be set are intended to be broad-based and shall take into account both the medium-term corporate objectives of the Group and the individual performance of the Participant. The corporate objectives shall cover market competitiveness, quality of returns, business growth and productivity growth. The Performance Targets could be based on criteria such as sales growth, growth in earnings and return on investment. The Performance Targets are targets aimed at sustaining long-term growth. There are no fixed Performance Targets for the Non-Executive Directors.

Awards may only be vested and consequently any Shares comprised in such Awards shall only be delivered upon (i) the Committee being satisfied that the Participant has achieved the Performance Targets and/or due recognition should be given for good work performance and/or significant contribution to the Group and/or (ii) the Group decides to pay part of a Group Employee's annual cash bonus payment in the form of Shares.

The Committee will take into account various factors when determining the method to arrive at the exact number of Shares comprised in an Award. Such factors include, but are not limited to, the current price of the Shares, the total issued ordinary share capital of the Company and the pre-determined dollar amount which the Committee decides that a Participant deserves for meeting his Performance Targets. For example, Shares may be awarded based on pre-determined dollar amounts such that the quantum of Shares comprised in Awards is dependent on the closing price of Shares transacted on the Market Day the Award is vested. Alternatively, the Committee may decide absolute numbers of Shares to be awarded to the Participants irrespective of the price of the Shares. The Committee shall monitor the grant of Awards carefully to ensure that the size of the Scheme will comply with the relevant rules of the SGX-ST.

6. ADJUSTMENTS AND MODIFICATIONS AND/OR ALTERATIONS UNDER THE SCHEME

The following describes the adjustment events under, and provisions relating to modifications and/or alterations of, the Scheme.

6.1 Variation of Capital

If a variation in the issued ordinary share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, distribution or otherwise) shall take place, then:

- (a) the class and/or number of Shares which are the subject of an Award to the extent not yet vested; and/or
- (b) the class and/or number of Shares over which future Awards may be granted under the Scheme,

shall be adjusted in such manner as the Committee may determine to be appropriate, which will not result in a Participant receiving a benefit that a Shareholder does not receive.

The issue of securities as consideration for an acquisition or a private placement of securities or the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by the Shareholders (including any renewal of such mandate) is in force shall not normally be regarded as a circumstance requiring adjustment.



LETTER TO SHAREHOLDERS

Any increase in the issued ordinary share capital of the Company as a consequence of the delivery of Shares pursuant to the vesting of Awards from time to time by the Company or through any other share-based incentive schemes implemented by the Company will also not be regarded as a circumstance requiring adjustment.

Any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the Auditors (acting only as experts and not arbitrators) to be in their opinion, fair and reasonable.

6.2 Modifications and/or Alterations to the Scheme

The Rules of the Scheme may be modified and/or altered from time to time by a resolution of the Committee, subject to compliance with the Listing Manual and such other regulatory authorities as may be necessary.

If a modification and/or alteration to the Rules of the Scheme affects the rights attached to Awards granted before the said modification and/or alteration, the Committee may make such adjustments as the Committee may determine to be appropriate, including but not limited to adjustments to the rights attached to such Awards, and shall provide written notice of such modification and/or alteration to the Participants.

However, no modification and/or alteration shall be made to the Rules of the Scheme to the advantage of the Participants except with the prior approval of Independent Shareholders in general meeting. Further, no modification and/or alteration shall be made to the Rules of the Scheme that will result in a Participant receiving a benefit that a Shareholder does not have.

7. DISCLOSURES IN ANNUAL REPORTS

The Company will make such disclosures in its annual report for so long as the Scheme continues in operation as from time to time required by the Listing Manual and the Companies Act including the following (where applicable):

- (a) the names of the members of the Committee administering the Scheme; and
- (b) in respect of the following Participants of the Scheme:
 - (i) Directors of the Company;
 - (ii) Controlling Shareholders and their Associates; and
 - (iii) Participants (other than those in paragraphs (i) and (ii) above) who have received Shares pursuant to the vesting of Awards granted under the Scheme which, in aggregate, represent five per cent. (5%) or more of the aggregate of the total number of Shares available under the Scheme,

the following information:

- A. the name of the Participant;
- B. the number of Shares comprised in Awards granted to such Participant during the financial year under review (including terms);
- C. the aggregate number of Shares comprised in Awards granted to such Participant since the commencement of the Scheme to the end of the financial year under review;



LETTER TO SHAREHOLDERS

- D. the aggregate number of Shares comprised in Awards issued and/or transferred to such Participant since the commencement of the Scheme to the end of the financial year under review;
- E. the aggregate number of Shares comprised in Awards which have not been vested on such Participant as at the end of the financial year under review; and
- F. the number of Shares comprised in Awards vested on such Participant during the financial year under review.

8. ROLE AND COMPOSITION OF THE COMMITTEE

The Committee responsible for the administration of the Scheme will comprise such Directors duly authorised and appointed by the Board to administer the Scheme. The quorum for any Committee meeting shall be three (3) Directors, of which two (2) of the Directors shall be Independent Directors. The Committee oversees executive development in the Group with the aim of building capable and committed management teams, through focused management and progressive policies which can attract and retain a pool of talented executives to meet the current and future growth of the Group.

The Committee shall have the power from time to time, to make and vary such regulations (not being inconsistent with the Scheme) for the implementation and administration of the Scheme as it deems fit, provided that:-

- (a) any modification and/or alteration which would be to the advantage of the Participants under the Scheme shall be subject to the prior approval of Independent Shareholders in a general meeting;
- (b) the modification and/or alteration must be made in such a way that a Participant will not receive a benefit that a Shareholder does not receive; and
- (c) no modification and/or alteration shall be made without due compliance with the Listing Manual and such other regulatory authorities as may be necessary.

Any decision of the Committee made pursuant to any provision of the Scheme (other than a matter to be certified by the Auditors) shall be final and binding, including any decision pertaining to disputes as to interpretation of the Scheme or any rule, regulation, procedure thereunder as to any rights under the Scheme.

In compliance with the requirements of the Listing Manual, any Participant of the Scheme who is a member of the Committee shall not be involved in its deliberations in respect of Awards to be granted to or held by that member of the Committee.

9. DISCLOSURE OF PREVIOUS AWARDS GRANTED TO CONTROLLING SHAREHOLDERS AND THEIR ASSOCIATES

9.1 As stated in Rules 845(2) and 845(3) of the Listing Manual:

- (a) the aggregate number of Shares available (“**Available Shares**”) to Controlling Shareholders and their Associates must not exceed 25% of the total number of Scheme Shares; and
- (b) the number of Available Shares to each Controlling Shareholder or his Associate must not exceed 10% of the total number of Scheme Shares.



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9.2 As at the Latest Practicable Date:

- (a) there is a total of 30,211,609 Scheme Shares, representing 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings).
- (b) the aggregate awards of Available Shares to Controlling Shareholders and their Associates comprise of:
 - (i) the award of 36,830 Shares, representing 0.12% of the total number of Scheme Shares, to Mr. Roy Ong in FY2011 (“**2011 Award**”);
 - (ii) the award of 182,830, 182,830 and 49,900 Shares, representing 0.61%, 0.61% and 0.16% of the total number of Scheme Shares to Mr. Benedict Soh, Mr. Simon Ong and Mr. Roy Ong respectively in FY2013 (“**2013 Award**”);
 - (iii) the award of 118,140, 118,140 and 10,080 Shares, representing 0.39%, 0.39% and 0.03% of the total number of Scheme Shares to Mr. Benedict Soh, Mr. Simon Ong and Mr. Roy Ong respectively in FY2014 (“**2014 Award**”);
 - (iv) the award of 118,780, 118,780 and 13,920 Shares, representing 0.39%, 0.39% and 0.05% of the total number of Scheme Shares to Mr. Benedict Soh, Mr. Simon Ong and Mr. Roy Ong respectively in FY2015 (“**2015 Award**”);
 - (v) the award of 175,230 and 175,230 Shares, representing 0.58% and 0.58% of the total number of Scheme Shares to Mr. Benedict Soh and Mr. Simon Ong respectively in FY2016 (“**2016 Award**”); and
 - (vi) the award of 11,430 and 11,430 Shares, representing 0.04% and 0.04% of the total number of Scheme Shares to Mr. Benedict Soh and Mr. Simon Ong respectively in FY2017 (“**2017 Award**”).

The aggregate awards of Available Shares to Controlling Shareholders and their Associates comprise 4.38% of the total number of Scheme Shares.

- (c) the aggregate awards of Available Shares to Mr. Benedict Soh (including the 2013 Award, the 2014 Award, the 2015 Award, the 2016 Award and the 2017 Award) comprise 2.01% of the total number of Scheme Shares.

The aggregate awards of Available Shares to Mr. Simon Ong (including the 2013 Award, the 2014 Award, the 2015 Award, the 2016 Award and the 2017 Award) comprise 2.01% of the total number of Scheme Shares.

The aggregate awards of Available Shares to Mr. Roy Ong (including the 2011 Award, the 2013 Award, the 2014 Award and the 2015 Award) comprise 0.36% of the total number of Scheme Shares.



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10. RATIONALE FOR PARTICIPATION BY CONTROLLING SHAREHOLDERS AND THEIR ASSOCIATES

Group Employees who are also Controlling Shareholders or Associates of Controlling Shareholders should be remunerated for their contribution to the Group on the same basis as other Group Employees who are not Controlling Shareholders or Associates of Controlling Shareholders. Although Controlling Shareholders and their Associates (as the case may be) already have shareholding interests in the Company, the extension of the Scheme to encompass them will ensure that they are equally entitled to take part and benefit from the same. The Scheme is intended to be part of the remuneration package for selected Group Employees and they should not be unduly discriminated against by virtue only of the Controlling Shareholders' and their Associates' (as the case may be) shareholdings in the Company. The extension of the Scheme to them will enhance the long-term commitment of such Controlling Shareholders and their Associates as they will continue to have a stake in the Company even if they sell down their existing Shares in the Company.

Eligible Controlling Shareholders and their Associates shall be treated equally for the purposes of the Scheme. Accordingly, the Scheme does not unduly favour such Controlling Shareholders and their Associates. The terms and conditions of the Scheme do not differentiate between eligible Controlling Shareholders and their Associates from other Participants. In this manner, the Scheme would not unduly favour such Controlling Shareholders and their Associates over other Participants.

Participation by Controlling Shareholders and/or their Associates allows the Group to propose a more balanced and flexible remuneration package which would link an employee's total remuneration to the performance of the Group, and this would in turn increase the Shareholders' value. The grant of Awards to eligible Controlling Shareholders and/or their Associates will act as an incentive for such persons to better their performance as the delivery of Shares pursuant to the Scheme is contingent upon prescribed Performance Targets being met and/or recognition of good work performance and/or significant contribution to the Group.

11. RATIONALE FOR PARTICIPATION BY MR. SOH SIAK POH BENEDICT

Mr. Benedict Soh is the Group's Executive Chairman, overseeing the Group's strategic development and setting the overall strategy and policies. He is also responsible for exploring strategic business opportunities. As one of the founders of the Group, Mr. Benedict Soh has been instrumental in spearheading the growth of the Group's business operations.

The extension of the Scheme to Mr. Benedict Soh is consistent with the Group's objective to motivate its employees to achieve and maintain a high level of performance and contribution, which is vital to the success of the Group. Although Mr. Benedict Soh already has a substantial interest in the Company, the extension of the Scheme to him will ensure that he is equally entitled, with other Executive Directors who are not Controlling Shareholders, to take part in and benefit from this system of remuneration, thereby further enhancing his long-term commitment to the Group.

Pursuant to Rule 853 of the Listing Manual, and subject to the renewal of the Scheme, Independent Shareholders' approval is sought for the participation by Mr. Benedict Soh in the Scheme.

The specific grant of Awards to any Controlling Shareholders and/or their Associates will have to be approved by Independent Shareholders in general meetings. The Company will seek Independent Shareholders' approval before granting any Award to Mr. Benedict Soh and will specify in the relevant resolution the number of Shares to be granted pursuant to such Award.



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12. RATIONALE FOR PARTICIPATION BY MR. SIMON ONG CHIN SIM

Mr. Simon Ong is the Group's Deputy Executive Chairman, responsible for spearheading the strategic planning and development of the Group. He is also responsible for the overall strategy and policies of the Group's creative directions and standards. As one of the founders of the Group, Mr. Simon Ong has been instrumental in formulating the Group's business strategy and creative direction.

The extension of the Scheme to Mr. Simon Ong is consistent with the Group's objective to motivate its employees to achieve and maintain a high level of performance and contribution, which is vital to the success of the Group. Although Mr. Simon Ong already has a substantial interest in the Company, the extension of the Scheme to him will ensure that he is equally entitled, with other Executive Directors who are not Controlling Shareholders, to take part in and benefit from this system of remuneration, thereby further enhancing his long-term commitment to the Group.

Pursuant to Rule 853 of the Listing Manual, and subject to the renewal of the Scheme, Independent Shareholders' approval is sought for the participation by Mr. Simon Ong in the Scheme.

The specific grant of Awards to any Controlling Shareholders and/or their Associates will have to be approved by Independent Shareholders in general meetings. The Company will seek Independent Shareholders' approval before granting any Award to Mr. Simon Ong and will specify in the relevant resolution the number of Shares to be granted pursuant to such Award.

13. RATIONALE FOR PARTICIPATION BY MR. ROY ONG CHIN KWAN

Mr. Roy Ong is the brother, and thus an Associate, of Mr. Simon Ong, a Controlling Shareholder.

Mr. Roy Ong is the Executive Director and Creative Director of Kingsmen Design Pte Ltd ("**Kingsmen Design**"), a wholly-owned subsidiary of the Company. Mr. Roy Ong is responsible for charting the creative direction and developing the design capabilities of Kingsmen Design, ensuring that all designs meet the aesthetic, functional and budgetary requirements of the Group's clients.

The extension of the Scheme to Mr. Roy Ong is consistent with the Group's objective to motivate its employees to achieve and maintain a high level of performance and contribution, which is vital to the success of the Group. Although Mr. Roy Ong is an Associate of a Controlling Shareholder, the extension of the Scheme to him will ensure that he is equally entitled, with other Group Employees who are not Associates of Controlling Shareholders, to take part in and benefit from this system of remuneration, thereby further enhancing his long-term commitment to the Group.

Pursuant to Rule 853 of the Listing Manual, and subject to the renewal of the Scheme, Independent Shareholders' approval is sought for the participation by Mr. Roy Ong in the Scheme.

The specific grant of Awards to any Controlling Shareholders and/or their Associates will have to be approved by Independent Shareholders in general meetings. The Company will seek Independent Shareholders' approval before granting any Award to Mr. Roy Ong and will specify in the relevant resolution the number of Shares to be granted pursuant to such Award.



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14. RATIONALE FOR PARTICIPATION BY NON-EXECUTIVE DIRECTORS

While the Scheme caters principally to Group Employees, it is recognised that there are other persons who make significant contributions to the Group through their close working relationships with the Group, even though they are not employed within the Group. Such persons include the Non-Executive Directors.

The Non-Executive Directors are persons from different professions and working backgrounds, bringing to the Group their wealth of knowledge and business expertise. They play an important role in helping the Group shape its business strategy by allowing the Group to draw on their diverse backgrounds and working experience. It is crucial for the Group to attract and retain the Non-Executive Directors.

The Directors are of the view that including the Non-Executive Directors in the Scheme will show the Group's appreciation for, and inculcate a sense of commitment on the part of the Non-Executive Directors towards serving the short and long-term objectives of the Group. However, as their services and contributions cannot be measured in the same way as the full-time employees of the Group, while it is desired that participation in the Scheme be made open to the Non-Executive Directors, any Awards that may be granted to any such Non-Executive Director would be intended only as a token of the Group's appreciation.

For the purpose of assessing the contributions of the Non-Executive Directors, the Committee will propose a framework comprising mainly non-financial measurement criteria such as the extent of involvement and responsibilities shouldered by the Non-Executive Directors and the scope of advice given. The Committee may also decide that no Awards shall be made in any financial year or no grant and/or Award may be made at all.

It is envisaged that the vesting of Awards, and hence the number of Shares to be delivered to the Non-Executive Directors based on the criteria set out above will be relatively small, in terms of frequency and numbers. Based on this, the Directors are of the view that the participation by the Non-Executive Directors in the Scheme will not compromise their independent status.

15. RATIONALE FOR PARTICIPATION BY ASSOCIATED COMPANY EMPLOYEES

It is important to the well-being and stability of the Group that the services and contributions made by Associated Company Employees are acknowledged so that the Group will continue to receive their support and contributions.

By implementing the Scheme, the Group will have the means of providing such Associated Company Employees with an opportunity to share in the success and achievement of the Group through participation in the equity of the Company. Although the Associated Company Employees are not employees of the Group, they are nevertheless closely associated with the Group and its business operations. It is hoped that by doing so, the working relationships with the Associated Company Employees will be strengthened by inculcating in them a stronger and more lasting sense of identification with the Group.

16. FINANCIAL EFFECTS OF THE SCHEME

16.1 Cost of Awards

The Scheme is considered a share-based payment that falls under the scope of the Singapore Financial Reporting Standards (International) 2, Share-based Payment. For the grant of Awards, the fair value of employee services received in exchange for the grant of such Awards would be determined by reference to the fair value of each Award granted on the date of the grant and would be recognised as an expense in the Group's income statement with a corresponding adjustment to the share capital account when new



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Shares are issued, or to the treasury shares account when treasury Shares are re-issued to the Participants. The fair value of the Awards is expected to be the prevailing market price per Share on the date of grant multiplied by the number of Shares under each Award.

16.2 Details of the Financial Effects of the Scheme

The following sets out the financial effects of the Scheme:

(a) Share capital

The Scheme will result in an increase in the Company's issued ordinary share capital only if new Shares are issued to the Participants. The number of new Shares to be issued will depend on, *inter alia*, the size of the Awards granted under the Scheme. However, if treasury Shares are re-issued for delivery to the Participants in lieu of issuing new Shares to the Participants, the Scheme will have no impact on the Company's issued ordinary share capital.

(b) NTA

The Scheme will result in a charge to earnings equivalent to the market value on the date at which treasury Shares are re-issued under the Awards or the market value on the date at which new Shares are issued under the Awards. If treasury Shares are re-issued under the Awards or new Shares are issued under the Awards, there would be no impact on the NTA of the Company and the Group.

Although the Scheme will result in a charge to the income statement of the Company and the Group, it should be noted that Awards are granted only on a selective basis and will be granted to the Participants whom the Group believes would have contributed significant value in its success including financial performance. In particular, the grant of Awards and delivery of Shares to the Participants are contingent upon the Participants meeting prescribed Performance Targets and/or delivering good work performance and/or significant contribution to the Group. Therefore, the Participants would have contributed to significant value add to the NTA of the Company and the Group before the Awards are granted and Shares are delivered.

(c) EPS

The Scheme will result in a charge to earnings equivalent to the market value on the date at which treasury Shares are re-issued under the Awards or the market value on the date at which new Shares are issued under the Awards.

Although the Scheme will have a dilutive impact (to the extent that new Shares are issued pursuant to the Scheme) on the EPS of the Company and the Group, it should be noted that the delivery of Shares to the Participants will generally be contingent upon the Participants meeting the prescribed Performance Targets and/or delivering good work performance and/or significant contribution to the Group. Accordingly, the earnings of the Company and the Group should have grown before the Awards are granted and Shares are delivered.

(d) Dilutive impact

It is expected that any dilutive impact of the Scheme on the NTA and the EPS would not be significant.



LETTER TO SHAREHOLDERS

17. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST

As at the Latest Practicable Date, the interests of the Directors in the Shares, as extracted from the Company's Register of Directors' Shareholdings, and the interests of substantial Shareholders (being a Shareholder whose interest in the Company's issued ordinary share capital is equal to or more than 5%), as extracted from the Company's Register of Substantial Shareholders, are as follows:

Name	Direct Interest	Number of Shares		%
		%	Deemed Interest	
Directors				
Soh Siak Poh Benedict	8,540,849	4.24	37,993,060 ⁽¹⁾	18.86
Simon Ong Chin Sim	8,340,830	4.14	37,993,060 ⁽²⁾	18.86
Cheng Oon Teck	656,400	0.33	–	–
Chong Siew Ling	4,150,531	2.06	–	–
Alex Wee Huat Seng	2,703,549	1.34	–	–
Prabhakaran s/o Narayanan Nair	–	–	–	–
Tan Cher Liang	–	–	–	–
Tan Guan Hiang	–	–	–	–
Substantial Shareholders				
Islanda Pte Ltd	37,993,060	18.86	–	–
O-Vest Pte Ltd	37,993,060	18.86	–	–
Png Geok Choo Rose	–	–	37,993,060 ⁽¹⁾	18.86
Soh E-Ling Marianne	–	–	37,993,060 ⁽¹⁾	18.86
Soh Hsien Wern Gavin	–	–	37,993,060 ⁽¹⁾	18.86
Jillian Soh E-Ping	–	–	37,993,060 ⁽¹⁾	18.86
Vera Ong Lim Guek Noi	–	–	37,993,060 ⁽²⁾	18.86
Ong Mei Lin Elita	–	–	37,993,060 ⁽²⁾	18.86

Notes:

- (1) Mr Benedict Soh's, Mdm Png Geok Choo Rose's, Ms Soh E-Ling Marianne's, Mr Soh Hsien Wern Gavin's and 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.
- (2) Mr Simon Ong's, Mdm Vera Ong Lim Guek Noi's and 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.

Save as disclosed above, none of the Directors and substantial Shareholders has any interest, whether direct or indirect, in the proposed renewal of, and authority to allot and issue Shares under, the Scheme; and the proposed participation by Mr. Soh Siak Poh Benedict, Mr. Simon Ong Chin Sim and Mr. Roy Ong Chin Kwan in the Scheme.



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18. DIRECTORS' RECOMMENDATIONS

18.1 Proposed Renewal of, and Authority to Allot and Issue Shares under, the Scheme

The Directors are eligible to participate in and are therefore interested in, the Scheme. They have accordingly abstained from making any recommendation on Resolution 9 relating to the proposed renewal of, and authority to allot and issue Shares under, the Scheme.

18.2 Proposed Participation by Mr. Soh Siak Poh Benedict in the Scheme

The Directors are eligible to participate in and are therefore interested in, the Scheme. They have accordingly abstained from making any recommendation on Resolution 10 relating to the proposed participation by Mr. Benedict Soh in the Scheme.

18.3 Proposed Participation by Mr. Simon Ong Chin Sim in the Scheme

The Directors are eligible to participate in and are therefore interested in, the Scheme. They have accordingly abstained from making any recommendation on Resolution 11 relating to the proposed participation by Mr. Simon Ong in the Scheme.

18.4 Proposed Participation by Mr. Roy Ong Chin Kwan in the Scheme

The Directors are eligible to participate in and are therefore interested in, the Scheme. They have accordingly abstained from making any recommendation on Resolution 12 relating to the proposed participation by Mr. Roy Ong in the Scheme.

19. SHAREHOLDERS WHO WILL ABSTAIN FROM VOTING

All Shareholders who are eligible to participate in the Scheme (including Mr. Benedict Soh, Mr. Simon Ong and Mr. Roy Ong) shall abstain, and shall procure that their respective Associates abstain, from voting on Resolutions 9, 10, 11 and 12 relating to the Scheme at the 2019 AGM, and will not accept nominations to act as proxy unless the Shareholder concerned has provided specific instructions as to voting.

20. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the 2019 AGM and wish to appoint a proxy or proxies to attend and vote on their behalf should complete, sign and return the proxy form which is attached to the notice of the 2019 AGM in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the registered office of the Company at 22 Changi Business Park Central 2, The Kingsmen Experience, Singapore 486032, not less than 48 hours before the time appointed for holding the 2019 AGM. The completion and return of the proxy form by a Shareholder will not preclude him from attending the 2019 AGM and voting in person if he so wishes.

A Depositor shall not be regarded as a member of the Company entitled to attend the 2019 AGM and to speak and vote thereat unless his name appears on the Depository Register maintained by CDP pursuant to Part IIIAA of the Securities and Futures Act at least 72 hours before the 2019 AGM.



LETTER TO SHAREHOLDERS

21. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the proposed renewal of, and authority to allot and issue Shares under, the Scheme; and the proposed participation by Mr. Soh Siak Poh Benedict, Mr. Simon Ong Chin Sim and Mr. Roy Ong Chin Kwan in the Scheme, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

22. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 22 Changi Business Park Central 2, The Kingsmen Experience, Singapore 486032, during normal business hours from the date of this Circular up to and including the date of the 2019 AGM:

- (a) the Annual Report; and
- (b) the Constitution of the Company.

Yours faithfully

For and on behalf of the Board of
Kingsmen Creatives Ltd.

Soh Siak Poh Benedict
Executive Chairman



LETTER TO SHAREHOLDERS

SCHEDULE A RULES OF THE KINGSMEN PERFORMANCE SHARE SCHEME

1. NAME OF THE SCHEME

The Scheme shall be called the “Kingsmen Performance Share Scheme”.

2. DEFINITIONS

2.1 In the Scheme, unless the context otherwise requires, the following words and expressions shall have the following meanings:

“Act”	The Companies Act, Chapter 50 of Singapore, as amended, modified or supplemented from time to time
“Adoption Date”	The date on which the Scheme is adopted by the Company in general meeting
“Associated Company”	A company in which at least 20% but not more than 50% of its shares are held by the Company or the Group and over which the Company has control
“Associated Company Employee”	An executive or non-executive director of an Associated Company or a full time employee of an Associated Company selected by the Committee to participate in the Scheme in accordance with Rule 4
“Auditors”	The auditors of the Company for the time being
“Awards”	The contingent award of Shares under the Scheme
“Board”	The board of directors of the Company for the time being
“CDP”	The Central Depository (Pte) Limited
“Committee”	A committee comprising such directors of the Company, duly authorised, appointed and nominated by the Board pursuant to the Rules to administer the Scheme
“Company”	Kingsmen Creatives Ltd., a company incorporated in Singapore
“Controlling Shareholder”	A shareholder who, in relation to the Company, has control, or as such term may be defined in the Listing Manual
“CPF”	The Central Provident Fund
“Group”	The Company together with its subsidiaries



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“Group Employee”	Any employee of the Group (including any Group Executive Directors) who meets the relevant age and rank criteria and whose services had been seconded to a company within the Group selected by the Committee to participate in the Scheme in accordance with Rule 4
“Group Executive Director”	A director of the Company and/or its subsidiaries, as the case may be, who performs an executive function within the Group
“Listing Manual”	The Listing Manual of the SGX-ST, as amended, modified or supplemented from time to time
“Market Day”	A day on which the SGX-ST is open for trading in securities
“Non-Executive Director”	A person who is: (a) an independent director of the Company; or (b) a director of the Company and/or any of its subsidiaries, as the case may be, other than a Group Executive Director
“Participant”	A person who is selected by the Committee to participate in the Scheme in accordance with these provisions
“Performance Period”	The performance period during which the Performance Targets shall be satisfied
“Performance Targets”	The performance targets prescribed by the Committee to be fulfilled by a Participant for any particular period under the Scheme
“Rules”	The rules of the Scheme, as amended, modified or supplemented from time to time
“Scheme”	The Kingsmen Performance Share Scheme, as amended, modified or supplemented from time to time
“SGX-ST”	The Singapore Exchange Securities Trading Limited
“Shareholders”	The registered holders of the Shares or in the case of Depositors, Depositors who have Shares entered against their names in the Depository Register
“Shares”	Ordinary shares in the capital of the Company
“%” or “per cent”	Percentage or per centum
“\$” or “S\$”	Singapore dollars



LETTER TO SHAREHOLDERS

2.2 For the purposes of the Scheme:

- (a) in relation to a Shareholder (including, where the context requires, the Company), “control” means the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of that company;
- (b) unless rebutted, a person who holds directly or indirectly, a shareholding of 15% or more of the Company’s issued ordinary share capital shall be presumed to be a Controlling Shareholder; and
- (c) in relation to a Controlling Shareholder, his “associate” shall have the meaning ascribed to it by the Listing Manual or any other publication prescribing rules or regulations for corporations admitted to the Official List of the SGX-ST (as amended, modified or supplemented from time to time).

2.3 The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively by Section 81SF of the Securities and Futures Act (Chapter 289).

2.4 Any reference in the Scheme or the Rules to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and used in the Scheme and the Rules shall have the meaning assigned to it under the Act.

2.5 Words importing the singular number shall include the plural number where the context admits and *vice versa*. Words importing the masculine gender shall include the feminine gender where the context admits.

2.6 Any reference to a time of day shall be a reference to Singapore time.

3. OBJECTIVES

The purpose of the Scheme is to provide an opportunity for Group Employees, Group Executive Directors and Associated Company Employees, who have met the Performance Targets to be remunerated through an equity stake in the Company and/or when due recognition should be given to any good work performance and/or significant contribution to the Group as well as for Group Employees to receive part of their annual cash bonus payment in the form of Shares. The Scheme is also extended to Non-Executive Directors.

The Company believes that the retention of outstanding employees within the Group is paramount to the Group’s long-term objectives of pursuing continuous growth and expansion in its future business and operations. Furthermore, the Group acknowledges the importance of preserving financial resources for future business development and to withstand difficult times. In light of this, the Group’s strategy is to contain the remuneration of its employees and executives which constitutes a major component of the Group’s operating costs.

The Scheme is formulated with those objectives in mind. Through the Scheme, the Company hopes to be able to remain an attractive and competitive employer, and to be better able to manage its fixed overhead costs without compromising on performance standards and efficiency.



LETTER TO SHAREHOLDERS

4. ELIGIBILITY

- 4.1 The following persons (provided that such persons are not undischarged bankrupts at the relevant time and have attained the age of 21 years on or before the date of grant of the Award) shall be eligible to participate in the Scheme at the absolute discretion of the Committee:
- (a) Group Employees (including Group Executive Directors);
 - (b) Non-Executive Directors;
 - (c) subject to Rule 4.3 below, Associated Company Employees; and
 - (d) subject to Rule 4.2 below, Controlling Shareholders and their associates.
- 4.2 Controlling Shareholders and their associates shall be eligible to participate in the Scheme. However, the aggregate number of Shares available to Controlling Shareholders and their associates must not exceed 25% of the Shares available under the Scheme. The number of Shares available to each Controlling Shareholder or his associate must also not exceed 10% of the Shares available under the Scheme.
- 4.3 Only Associated Company Employees from Associated Companies which the Company has control will be eligible to participate in the Scheme.
- 4.4 For the purposes of determining eligibility to participate in the Scheme, the secondment of a Group Employee to another company within the Group shall not be regarded as a break in his employment or his having ceased by reason only of such secondment to be a full-time employee of the Group.
- 4.5 There shall be no restriction on the eligibility of any Participant to participate in any other share option or share incentive schemes implemented by the Company or any other company within the Group.
- 4.6 Subject to the Act and any requirement of the SGX-ST, the terms of eligibility for participation in the Scheme may be amended from time to time at the absolute discretion of the Committee.

5. LIMITATIONS UNDER THE SCHEME

- 5.1 The Company may deliver Shares pursuant to the Awards granted under the Scheme in the form of existing Shares held as treasury shares and/or an issue of new Shares.
- 5.2 Awards may only be vested and consequently any Shares comprised in such Awards shall only be delivered upon (i) the Committee being satisfied that the Participant has achieved the Performance Targets and/or due recognition should be given for good work performance and/or significant contribution to the Group and/or (ii) the Group decides to pay part of a Group Employee's annual cash bonus payment in the form of Shares.
- 5.3 The aggregate number of Shares over which the Committee may grant Awards on any date, when added to the number of Shares issued and issuable in respect of all Awards granted under the Scheme and all other awards granted under any other share option, share incentive, performance share or restricted share scheme implemented by the Company and for the time being in force, shall not exceed fifteen per cent. (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) on the date preceding the grant of an Award.



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6. DATE OF GRANT

The Committee may grant Awards at any time in the course of a financial year, provided that in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, Awards may only be granted and hence any Shares comprised in such Awards may only be delivered on or after the second Market Day from the date on which the aforesaid announcement is made.

7. AWARDS

7.1 Awards, which will comprise of fully paid Shares, are personal to the Participant to whom it is given and shall not be transferred (other than to a Participant's personal representative on the death of that Participant), charged, assigned, pledged or otherwise disposed of, in whole or in part, unless with the prior approval of the Committee.

7.2 Once an Award is finalised by the Committee, the Committee shall send an Award letter to the Participant confirming the said Award. The said Award letter shall specify, inter alia, the following:

- (a) in relation to a performance-related Award:
 - (i) the Performance Targets for the Participant; and
 - (ii) the Performance Period for the Participant;
- (b) the number of Shares to be vested on the Participant; and
- (c) the date by which the Award shall be vested.

7.3 The Committee shall take into account various factors when determining the method to arrive at the exact number of Shares comprised in an Award. Such factors include, but are not limited to, the current price of the Shares, the total issued ordinary share capital of the Company and the predetermined dollar amount which the Committee decides that a Participant deserves for meeting his Performance Targets. For example, Shares may be awarded based on predetermined dollar amounts such that the quantum of Shares comprised in Awards is dependent on the closing price of Shares transacted on the Market Day the Award is vested. Alternatively the Committee may decide absolute numbers of Shares to be awarded to the Participants irrespective of the price of the Shares. The Committee shall monitor the grant of Awards carefully to ensure that the size of the Scheme will comply with the relevant rules of the SGX-ST.

8. PERFORMANCE TARGETS

8.1 The Committee shall, in its absolute discretion, determine the relevant Performance Targets for each Participant, and such Performance Targets shall be specified in the Award letter as set out in Rule 7.2.

8.2 The Committee has the right to amend the Performance Targets if the Committee decides that it would be a fairer measure of the performance of a Participant or for the Scheme as a whole. The Committee shall have the sole discretion to determine whether Performance Targets have been satisfied (whether fully or partially) or exceeded and/or whether the Participant's performance and/or contribution to the Company and/or any of its subsidiaries justifies the vesting of an Award. In making any such determination, the Committee shall have the right to take into account such factors as the Committee may in its sole discretion determine to be relevant, and further, the right to amend the service conditions and/or Performance Targets, if any, if the Committee decides that it would be more equitable to do so.



LETTER TO SHAREHOLDERS

- 8.3 For the avoidance of doubt, the Performance Targets are measured with reference to the quarterly, semi-annual and/or annual financial results of the Group (the “Accounts”) and any pre-determined performance condition(s) to be achieved by each specific Participant.

9. VESTING OF THE AWARDS

- 9.1 Notwithstanding that a Participant may have met his Performance Targets, no Awards shall be vested:
- (a) upon the bankruptcy of the Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of such Award;
 - (b) in the event of any misconduct on the part of the Participant as determined by the Committee in its discretion;
 - (c) in the event that the Committee shall, at its discretion, deem it appropriate that such Award to be given to a Participant shall so lapse on the grounds that any of the objectives of the Scheme (as set out in Rule 3) have not been met;
 - (d) in the event that the Participant ceases to be employed by the Group or Associated Company before vesting of the Award to him; or
 - (e) in the event that the Participant who is a Group Executive Director or Non-Executive Director ceases to be a director of the Group.

10. TAKE-OVER AND WINDING UP OF THE COMPANY

- 10.1 Subject to Rule 9 and Rule 10.5, in the event of a take-over being made for the Shares, a Participant shall be entitled to the Shares under the Awards if he has met the Performance Targets for the corresponding Performance Period. For the avoidance of doubt, the vesting of such Awards will not be affected by the take-over offer.
- 10.2 If under any applicable laws, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, each Participant who has fulfilled his Performance Targets shall be entitled, but subject to Rule 10.5, to any Shares under the Awards so determined by the Committee to be released to him during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of 60 days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later.
- 10.3 If an order is made for the winding-up of the Company on the basis of its insolvency, all Awards, notwithstanding that Shares may have not been released to the Participants shall be deemed or become null and void.
- 10.4 In the event of a members’ voluntary winding-up (other than for amalgamation or reconstruction), the Shares under the Awards shall be released to the Participant for so long as, in the absolute determination by the Committee, the Participant has met the Performance Targets prior to the date that the members’ voluntary winding-up shall be deemed to have been commenced or effective in law.



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- 10.5 If in connection with the making of a general offer referred to in Rule 10.1 or the scheme referred to in Rule 10.2 or the winding-up referred to in Rule 10.4, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of the Participants, whether by the payment of cash or by any other form of benefit, no release of Shares under the Award shall be made in such circumstances.

11. SHARES

- 11.1 Subject to such consents or other required action of any competent authority under any regulations or enactments for the time being in force as may be necessary and subject to the compliance with the terms of the Scheme and the Constitution of the Company, the Company shall within one (1) month after the vesting of an Award, transfer and/or allot the relevant Shares and despatch to CDP the relevant share certificates by ordinary post or such other mode as the Committee may deem fit.
- 11.2 Shares which are the subject of an Award shall be issued in the name of CDP to the credit of the securities account of that Participant maintained with CDP, the securities sub-account maintained with a Depository Agent or the CPF investment account maintained with a CPF agent bank.
- 11.3 Shares delivered upon the vesting of an Award shall be subject to all the provisions of the Constitution of the Company, and shall rank in full for all entitlements, excluding dividends or other distributions declared or recommended in respect of the then existing Shares, the Record Date for which falls on or before the relevant vesting date of the Award, and shall in all other respects rank *pari passu* with other existing Shares then in issue. "Record Date" means the date fixed by the Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares.
- 11.4 The Company shall keep available sufficient treasury shares and/or issue sufficient new Shares to satisfy the delivery of the Shares pursuant to vesting of the Awards.

12. VARIATION OF CAPITAL

- 12.1 If a variation in the issued ordinary share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, distribution or otherwise) shall take place, then:
- (a) the class and/or number of Shares which are the subject of an Award to the extent not yet vested; and/or
 - (b) the class and/or number of Shares over which future Awards may be granted under the Scheme,
- shall be adjusted by the Committee to give each Participant the same proportion of the equity capital of the Company as that to which he was previously entitled and, in doing so, the Committee shall determine at its own discretion the manner in which such adjustment shall be made.



LETTER TO SHAREHOLDERS

12.2 Unless the Committee considers an adjustment to be appropriate:

- (a) the issue of securities as consideration for an acquisition or a private placement of securities; or
- (b) the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by the Shareholders of the Company (including any renewal of such mandate) is in force,

shall not normally be regarded as a circumstance requiring adjustment.

12.3 Notwithstanding the provisions of Rule 12.1:

- (a) no such adjustment shall be made if as a result, the Participant receives a benefit that a Shareholder does not receive; and
- (b) any determination by the Committee as to whether to make any adjustment and if so, the manner in which such adjustment should be made, must (except in relation to a capitalisation issue) be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

12.4 Any increase in the issued ordinary share capital of the Company as a consequence of the delivery of Shares pursuant to the vesting of Awards from time to time by the Company or through any other share-based incentive schemes implemented by the Company will also not be regarded as a circumstance requiring adjustment.

12.5 Upon any adjustment required to be made pursuant to this Rule 12, the Company shall notify the Participant (or his duly appointed personal representative where applicable) in writing and deliver to him (or his duly appointed personal representative where applicable) a statement setting forth the class and/or number of Shares thereafter to be issued pursuant to the grant of an Award. Any adjustment shall take effect upon such written notification being given.

13. ADMINISTRATION OF THE SCHEME

13.1 The Scheme shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by the Board, provided that no member of the Committee shall participate in any deliberation or decision in respect of Awards granted or to be granted to him. The quorum for any Committee meeting shall be three (3) directors, of which two (2) of the directors shall be independent directors.

13.2 The Committee shall have the power, from time to time, to make and vary such rules (not being inconsistent with the Scheme) for the implementation and administration of the Scheme as they think fit including, but not limited to:

- (a) imposing restrictions on the number of Awards that may be vested within each financial year; and
- (b) amending Performance Targets in accordance with Rule 8.2, if by so doing, it would be a fairer measure of performance for a Participant or for the Scheme as a whole.



LETTER TO SHAREHOLDERS

13.3 Any decision of the Committee made pursuant to any provision of the Scheme (other than a matter to be certified by the Auditors) shall be final and binding, including any decisions pertaining to the number of Shares to be vested or to disputes as to the interpretation of the Scheme or any rule, regulation, procedure thereunder or as to any rights under the Scheme.

14. NOTICES AND ANNUAL REPORT

14.1 Any notice required to be given by a Participant to the Company shall be sent or made to the registered office of the Company or such other addresses as may be notified by the Company to him in writing.

14.2 Any notices or documents required to be given to a Participant or any correspondence to be made between the Company and the Participant shall be given or made by the Committee (or such person(s) as it may from time to time direct) on behalf of the Company and shall be delivered to him by hand or sent to him at his home address according to the records of the Company or at the last known address of the Participant and if sent by post, shall be deemed to have been given on the day following the date of posting.

14.3 The Company shall disclose the following in its annual report:

- (a) the names of the members of the Committee administering the Scheme;
- (b) the information required in the table below for the following Participants:
 - (i) Directors of the Company;
 - (ii) Controlling Shareholders and their Associates; and
 - (iii) Participants other than those in (i) and (ii) above, who received Shares pursuant to the vesting of the Awards granted under the Scheme which, in aggregate, represent five per cent. (5%) or more of the aggregate of the total number of Shares available under the Scheme; and

Name of Participant	Number of Shares comprised in Awards granted during the financial year under review (including terms)	Aggregate number of Shares comprised in Awards granted since the commencement of the Scheme to the end of the financial year under review	Aggregate number of Shares comprised in Awards which have been issued and/or transferred since the commencement of the Scheme to the end of the financial year under review	Aggregate number of Shares comprised in Awards which have not been vested as at the end of the financial year under review	Number of Shares comprised in Awards vested during the financial year under review

- (c) such other information as may be required by the Listing Manual and the Act.

If any of the information in sub-paragraphs (a) to (c) above is not applicable, an appropriate negative statement shall be included.



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15. MODIFICATIONS AND/OR ALTERATIONS TO THE SCHEME

- 15.1 Any or all the provisions of the Scheme may be modified and/or altered at any time and from time to time by resolution of the Committee, except that:
- (a) any modification and/or alteration which would be to the advantage of the Participants under the Scheme shall be subject to the prior approval of Independent Shareholders (being Shareholders other than Shareholders who are Participants or Associates (shall bear the meaning ascribed to it in the Listing Manual) of the Participants) in a general meeting;
 - (b) the modification and/or alteration must be made in such a way that a Participant will not receive a benefit that a Shareholder does not receive; and
 - (c) no modification and/or alteration shall be made without due compliance with the Listing Manual and such other regulatory authorities as may be necessary.
- 15.2 The Committee may at any time by resolution (and without other formality, save for the prior approval of the SGX-ST) amend and/or alter the provisions of the Scheme in any way to the extent necessary to cause the Scheme to comply with any statutory provision or the provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).
- 15.3 Written notice of any modification and/or alteration made in accordance with this Rule 15 shall be given to all Participants.

16. TERMS OF EMPLOYMENT UNAFFECTED

The terms of employment of a Participant (who is a Group Employee) shall not be affected by his participation in the Scheme, which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation or damages on the termination of his employment for any reason.

17. DURATION

- 17.1 The Scheme shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten (10) years commencing on the Adoption Date, provided always that the Scheme may continue beyond the above stipulated period with the approval of the Independent Shareholders (being Shareholders other than Shareholders who are Participants or Associates (shall bear the meaning ascribed to it in the Listing Manual) of the Participants) by ordinary resolution in general meeting and of any relevant authorities which may then be required.
- 17.2 The Scheme may be terminated at any time by the Committee or by resolution of the Company in general meeting subject to all relevant approvals which may be required and if the Scheme is so terminated, no further Awards shall be vested by the Company thereunder.
- 17.3 The termination of the Scheme shall not affect Awards which have been vested, whether such Shares have been delivered or not.



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18. TAXES

All taxes (including income tax) arising from the grant and/or disposal of Shares pursuant to the Awards granted to any Participant under the Scheme shall be borne by that Participant.

19. COSTS AND EXPENSES

19.1 Each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment or transfer of any Shares pursuant to the Awards in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP, or the Participant's securities sub-account with a CDP Depository Agent or CPF investment account with a CPF agent bank.

19.2 Save for the taxes referred to in Rule 18 and such other costs and expenses expressly provided in the Scheme to be payable by the Participants, all fees, costs and expenses incurred by the Company in relation to the Scheme including but not limited to the fees, costs and expenses relating to the allotment, issue and/or delivery of Shares pursuant to the Awards shall be borne by the Company.

20. DISCLAIMER OF LIABILITY

Notwithstanding any provisions herein contained, the Board, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to the Company's delay in issuing or transferring the Shares or applying for or procuring the listing of the Shares on the SGX-ST.

21. DISPUTES

Any disputes or differences of any nature arising hereunder shall be referred to the Committee and its decision shall be final and binding in all respects.

22. CONDITION OF AWARDS

Every Award shall be subject to the condition that no Shares would be issued or transferred pursuant to the vesting of any Award if such issue or transfer would be contrary to any law or enactment, or any rules or regulations of any legislative or non-legislative governing body for the time being in force in Singapore or any other relevant country having jurisdiction in relation to the issue or transfer of Shares hereto.

23. GOVERNING LAW

The Scheme shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Participants, by accepting Awards in accordance with the Scheme, and the Company irrevocably submit to the exclusive jurisdiction of the courts of the Republic of Singapore.



CIRCULAR DATED 8 APRIL 2019

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

This Circular is circulated to the shareholders (the “**Shareholders**”) of Kingsmen Creatives Ltd. (the “**Company**”), together with the Company’s annual report for the financial year ended 31 December 2018 (the “**Annual Report**”). Its purpose is to explain to the Shareholders the rationale for, and provide the Shareholders with information relating to, the proposed renewal of the Share Purchase Mandate (as defined herein) to be tabled at the annual general meeting (“**AGM**”) of the Company to be held on 30 April 2019 at 10.00 a.m. at 22 Changi Business Park Central 2, The Kingsmen Experience, Singapore 486032.

The notice of the Company’s AGM and a proxy form are enclosed with the Annual Report.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.

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

If you are in any doubt as to the contents herein or as to the course of 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)
(Company Registration Number: 200210790Z)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE



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DEFINITIONS

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

“2018 Mandate”	:	Has the meaning ascribed to it in Section 1
“2019 AGM”	:	The annual general meeting of the Company to be held on 30 April 2019 at 10.00 a.m. at 22 Changi Business Park Central 2, The Kingsmen Experience, Singapore 486032
“AGM”	:	Annual general meeting of the Company
“Annual Report”	:	The annual report of the Company for the financial year ended 31 December 2018
“Approval Date”	:	Has the meaning ascribed to it in Section 2.2.1
“Average Closing Price”	:	Has the meaning ascribed to it in Section 2.2.4
“Board”	:	The board of directors of the Company for the time being
“CDP”	:	The Central Depository (Pte) Limited
“Companies Act”	:	The Companies Act (Chapter 50) of Singapore, as amended, supplemented or modified from time to time
“Company”	:	Kingsmen Creatives Ltd.
“controlling shareholder”	:	A person who: (a) holds directly or indirectly 15% or more of the total number of issued Shares (excluding treasury shares and subsidiary holdings); or (b) in fact exercises control over the Company
“date of the making of the offer”	:	Has the meaning ascribed to it in Section 2.2.4
“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
“Highest Last Dealt Price”	:	Has the meaning ascribed to it in Section 2.2.4
“Latest Practicable Date”	:	11 March 2019, being the latest practicable date prior to the printing of this Circular



DEFINITIONS

“Listing Manual”	:	The Listing Manual of the SGX-ST, as amended, supplemented or modified from time to time
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Market Purchase(s)”	:	Has the meaning ascribed to it in Section 2.2.3(a)
“Maximum Price”	:	Has the meaning ascribed to it in Section 2.2.4
“NA”	:	Net asset
“NTA”	:	Net tangible asset
“Off-Market Purchase(s)”	:	Has the meaning ascribed to it in Section 2.2.3(b)
“public”	:	Persons other than the directors, chief executive officer, substantial shareholders or controlling shareholders of the Group, and their associates (as defined in the Listing Manual)
“Registrar”	:	Has the meaning ascribed to it in Section 2.9
“Securities Account”	:	Securities account maintained by a Depositor with CDP but not including securities sub-account maintained with a Depository Agent
“Securities and Futures Act”	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended, supplemented or modified from time to time
“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. Any reference to Shares held by Shareholders shall include Shares standing to the credit of the respective Shareholders’ Securities Accounts
“Share(s)”	:	Ordinary share(s) in the capital of the Company
“Share Purchase Mandate”	:	The general mandate to authorise the Directors to purchase Shares in accordance with the rules and regulations set forth in the Companies Act, the Listing Manual and the Securities and Futures Act
“Take-over Code”	:	The Singapore Code on Take-overs and Mergers, as amended, supplemented or modified from time to time
Currencies and others		
“S\$”, “\$” and “cents”	:	Singapore dollars and cents respectively
“%” or “per cent”	:	Per centum or percentage



DEFINITIONS

The terms “**Depositor**”, “**Depository Register**” and “**Depository Agent**” shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act.

The term “**treasury share**” shall have the meaning ascribed to it in Section 4 of the Companies Act.

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

Any word defined under the Companies Act, the Listing Manual, the Securities and Futures Act or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning ascribed to it under the Companies Act, the Listing Manual, the Securities and Futures Act or any statutory modification thereof, as the case may be.

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. References to persons shall, where applicable, include corporations.

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

Any discrepancies in this Circular between the total sum of the figures stated and the total shown thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures which precede them.



LETTER TO SHAREHOLDERS

KINGSMEN CREATIVES LTD.
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200210790Z)

Directors:

Soh Siak Poh Benedict (Executive Chairman)
Simon Ong Chin Sim (Deputy Executive Chairman)
Cheng Oon Teck (Group Chief Executive Officer and Executive Director)
Chong Siew Ling (Group Managing Director, Exhibitions & Thematic and Executive Director)
Alex Wee Huat Seng (Group Managing Director, Retail & Corporate Interiors and Executive Director)
Prabhakaran s/o Narayanan Nair (Independent Director)
Tan Cher Liang (Independent Director)
Tan Guan Hiang (Independent Director)

Registered Office:

22 Changi Business Park Central 2
The Kingsmen Experience
Singapore 486032

8 April 2019

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 2019 AGM to seek the Shareholders' approval for, *inter alia*, 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 annual general meeting of the Company held on 27 April 2018 (the "**2018 Mandate**"). The validity period of the 2018 Mandate will expire at the 2019 AGM. Accordingly, the Company is seeking approval from the Shareholders for, *inter alia*, the renewal of the Share Purchase Mandate at the 2019 AGM.

This Circular is circulated to the Shareholders together with the Company's Annual Report. The purpose of this Circular is to explain the rationale for, and provide the Shareholders with information relating to, the proposed renewal of the Share Purchase Mandate to be tabled at the 2019 AGM.

2. PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

2.1 Rationale for the Share Purchase Mandate

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



LETTER TO SHAREHOLDERS

The purchase or acquisition of Shares will only be undertaken if the Directors believe that it may 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% limit as authorised. No purchase or acquisition of Shares will be made in circumstances, which would or, in the Directors' reasonable opinion, may have a material adverse effect on the financial position, liquidity and capital of the Company or the Group.

2.2 Authority and Limitations of the Share Purchase Mandate

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the Share Purchase Mandate, if approved at the 2019 AGM, are summarised below:

2.2.1 Maximum Number of Shares

The Company may purchase or acquire only Shares, which are issued and fully paid-up. The total number of Shares that may be purchased or acquired is limited to that number of Shares representing not more than 10% of the issued Shares as at the date on which the resolution authorising the proposed renewal of the Share Purchase Mandate is passed (the "**Approval Date**"). Shares which are held as treasury shares and subsidiary holdings, will be disregarded for purposes of computing the 10% limit. The Company does not hold any treasury shares and does not have subsidiary holdings as at the Latest Practicable Date.

For illustrative purposes only, based on 201,410,729 issued Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date, and assuming that there is no change in the number of issued Shares as at the Approval Date, not more than 20,141,072 Shares (representing 10% of the issued Shares (excluding treasury shares and subsidiary holdings) as at the Approval Date) may be purchased or acquired by the Company pursuant to the Share Purchase Mandate.

2.2.2 Duration of Authority

Purchase(s) or acquisition(s) of Shares may be made, at any time and from time to time, from the Approval Date up to the earliest of:

- (a) the date on which the next AGM is held or is required by law to be held;
- (b) the date on which purchase(s) or acquisition(s) of Shares have been carried out to the full extent permitted under the Share Purchase Mandate; or
- (c) the date on which the authority contained in the Share Purchase Mandate is varied or revoked by an ordinary resolution of the Shareholders in a general meeting.

2.2.3 Manner of Purchase or Acquisition

Purchase(s) or acquisition(s) of Shares may be made by way of:

- (a) on-market purchase(s) ("**Market Purchase(s)**") transacted on the SGX-ST through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
- (b) off-market purchase(s) ("**Off-Market Purchase(s)**") made under an equal access scheme in accordance with Section 76C of the Companies Act.



LETTER TO 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 to be 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:

- (a) offers for the purchase or acquisition of shares are to be made to every person who holds shares to purchase or acquire the same percentage of their shares;
- (b) all of those persons have a reasonable opportunity to accept the offers made to them; and
- (c) the terms of all the offers are the same, except that there shall be disregarded:
 - (i) differences in consideration attributable to the fact that offers may relate to shares with different accrued dividend entitlements;
 - (ii) differences in consideration attributable to the fact that offers relate to shares with different amounts remaining unpaid; and
 - (iii) 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:

- (a) the terms and conditions of the offer;
- (b) the period and procedures for acceptances;
- (c) the reasons for the proposed purchase(s) or acquisition(s) of Shares;
- (d) the consequences, if any, of purchase(s) or acquisition(s) of Shares by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (e) whether the purchase(s) or acquisition(s) of Shares, if made, could affect the listing of the Shares on the SGX-ST;
- (f) details of any purchase(s) or acquisition(s) of Shares made by the Company in the previous 12 months (whether Market Purchase(s) or Off-Market Purchase(s) in accordance with an equal access scheme), giving the total number of Shares purchased or acquired, the purchase or acquisition price per Share or the highest and lowest prices paid for the purchase(s) or acquisition(s), where relevant, and the total consideration paid for the purchase(s) or acquisition(s); and
- (g) whether the Shares purchased or acquired by the Company will be cancelled or kept as treasury shares.



LETTER TO SHAREHOLDERS

2.2.4 Maximum Purchase or Acquisition Price

The purchase or acquisition price (excluding brokerage, trading fee, clearing fee, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors.

However, the purchase or acquisition price must not exceed:

- (a) in the case of a Market Purchase, 105% of the Average Closing Price (as defined below); and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Highest Last Dealt Price (as defined below),

(the “**Maximum Price**”) in either case, excluding related expenses of the purchase or acquisition.

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 date of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-day period;

“**Highest Last Dealt Price**” means the highest price transacted for a Share as recorded on the Market Day on which transactions in Shares were recorded, immediately preceding the date of the making of the offer (as defined below) for an Off-Market Purchase; and

“**date of the making of the offer**” means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating the purchase or acquisition price (which shall not be more than the Maximum Price for an Off-Market Purchase 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 or Acquired Shares**

Any Share which is purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition (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. At the time of each purchase or acquisition of Shares by the Company, the Directors will decide whether the Shares purchased or acquired will be cancelled or kept as treasury shares, or partly cancelled and partly kept as treasury shares, depending on the needs of the Company at that time.

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the key provisions on treasury shares under the Companies Act are summarised below:

- (a) *Maximum Holdings*

The aggregate number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.



LETTER TO SHAREHOLDERS

(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. Furthermore, a subdivision or consolidation of any treasury share into treasury shares of a greater or smaller number is allowed, if the total value of the treasury shares after the subdivision or consolidation is the same as the total value of the treasury share before the subdivision or consolidation, as the case may be.

(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 any share scheme, whether for its employees, directors or other persons;
- (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

The Companies Act permits the Company to make payment, pursuant to the purchase or acquisition of its own Shares, out of capital as well as from its distributable profits, so long as the Company is solvent. The Companies Act provides that a Company is solvent if at the date of the relevant payment, the following conditions are satisfied:

- (a) there is no ground on which the Company could be found to be unable to pay its debts;
- (b) if –
 - (i) it is intended to commence winding up of the Company within the period of 12 months immediately after the date of the payment, the Company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; or
 - (ii) it is not intended so to commence winding up, the Company will be able to pay its debts as they fall due during the period of 12 months immediately after the date of the payment; and
- (c) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the proposed purchase or acquisition of Shares, become less than the value of its liabilities (including contingent liabilities).

The Company intends to use internal sources of funds, or a combination of internal resources and external borrowings, to finance its purchase(s) or acquisition(s) of Shares.



LETTER TO SHAREHOLDERS

2.5 Financial Effects

It is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions that may be made pursuant to the Share Purchase Mandate on the NTA and EPS of the Group, as the resultant effect will depend on, *inter alia*, the aggregate number of Shares purchased or acquired, the purchase or acquisition prices paid for such Shares, whether the purchase or acquisition is made out of capital or profits, whether the Shares purchased or acquired are held in treasury or cancelled, 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 or acquisitions.

Where the amounts paid by the Company for the purchase or acquisition of Shares are made out of profits, such amounts will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the amounts paid by the Company for the purchase or acquisition of Shares are made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced but the issued share capital of the Company will be reduced by such amounts. The total amount of the purchase or acquisition price shall include any expenses (including brokerage, trading fee and/or clearing fee) incurred directly in the purchase or acquisition of the Shares which is paid out of the Company's profits or capital.

Where a purchase or an acquisition of Shares is financed by internal resources and/or external borrowings, there may be an increase in the Group's gearing ratio, and a decline in the Group's current ratio and Shareholders' funds. The actual impact on the Group's gearing and current ratios will depend on, *inter alia*, the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

The Directors do not propose to exercise the Share Purchase Mandate to such an extent that the Group's working capital requirements and ability to service its debts would be adversely affected. The purchase(s) or acquisition(s) of Shares will be effected taking into account, *inter alia*, the Group's working capital requirements, availability of financial resources, the Group's expansion and investment plans and prevailing market conditions. The Company intends to exercise the Share Purchase Mandate with a view to enhancing the Group's NTA per share and/or EPS.



LETTER TO SHAREHOLDERS

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

- (a) the purchase or acquisition by the Company of the maximum of 20,141,072 Shares (representing 10% of the issued Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date) was made on 1 January 2018;
- (b) in the case of Market Purchases, the Company purchased or acquired Shares at the Maximum Price of S\$0.5607 for each Share (being 105% 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\$0.6480 for each Share (being 120% of the Highest Last Dealt Price as at the Latest Practicable Date);
- (c) the purchase or acquisition of Shares by the Company, which required funds amounting to, in the case of Market Purchases, S\$11,293,099, and in the case of Off-Market Purchases, S\$13,051,415, was financed entirely using internal sources of funds, and the Company received dividends from its subsidiaries to finance the purchase or acquisition;
- (d) the Singapore corporate tax rate applied was 17%; and
- (e) 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 purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate on the audited financial statements of the Company and the Group for FY2018 are set out below:

The financial effects set out below are for illustrative purposes only. The illustrations are based on historical numbers for FY2018 and are in no way indicative of the Company's and the Group's future financial performance or a forecast of the Company's and the Group's financial position.

Although the Share Purchase Mandate would authorise the Company to purchase or acquire up to 10% of the issued Shares (excluding treasury shares and subsidiary holdings), the Company may not necessarily purchase or acquire part of or the entire 10% of the issued Shares (excluding treasury shares and subsidiary holdings).



LETTER TO SHAREHOLDERS

Market Purchases Scenario

Market Purchases of 20,141,072 Shares 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 S\$'000	After Share Purchase S\$'000	Before Share Purchase S\$'000	After Share Purchase S\$'000
As at 31 December 2018				
Share capital	27,984	27,984	27,984	27,984
Revenue reserves (distributable)	98,631	98,502	34,892	46,056
Other reserves	(5,393)	(5,393)	(263)	(263)
Treasury shares	–	(11,164)	–	(11,164)
Shareholders' funds	121,222	109,929	62,613	62,613
NA	121,222	109,929	62,613	62,613
Current assets	220,560	209,267	16,967	16,967
Current liabilities	148,520	148,520	4,927	4,927
Working capital	72,040	60,747	12,040	12,040
Total liabilities	172,554	172,554	23,408	23,408
Cash and cash equivalents	77,508	66,215	9,478	9,478
Profit attributable to Shareholders	8,154	8,154	7,888	19,181
Number of Shares, excluding treasury shares and subsidiary holdings ('000)	199,575	179,434	199,575	179,434
Weighted average number of Shares ('000)	199,414	179,273	199,414	179,273
Financial Ratios				
NA per Share ⁽¹⁾ (cents)	60.74	61.26	31.37	34.89
EPS ⁽²⁾ (cents)	4.09	4.55	3.96	10.70
Gearing ratio ⁽³⁾ (times)	1.42	1.57	0.37	0.37
Current ratio ⁽⁴⁾ (times)	1.49	1.41	3.44	3.44



LETTER TO SHAREHOLDERS

Off-Market Purchases Scenario

Off-Market Purchases of 20,141,072 Shares 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 S\$'000	After Share Purchase S\$'000	Before Share Purchase S\$'000	After Share Purchase S\$'000
As at 31 December 2018				
Share capital	27,984	27,984	27,984	27,984
Revenue reserves (distributable)	98,631	98,482	34,892	47,794
Other reserves	(5,393)	(5,393)	(263)	(263)
Treasury shares	–	(12,902)	–	(12,902)
Shareholders' funds	121,222	108,171	62,613	62,613
NA	121,222	108,171	62,613	62,613
Current assets	220,560	207,509	16,967	16,967
Current liabilities	148,520	148,520	4,927	4,927
Working capital	72,040	58,989	12,040	12,040
Total liabilities	172,554	172,554	23,408	23,408
Cash and cash equivalents	77,508	64,457	9,478	9,478
Profit attributable to Shareholders	8,154	8,154	7,888	20,939
Number of Shares, excluding treasury shares and subsidiary holdings ('000)	199,575	179,434	199,575	179,434
Weighted average number of Shares ('000)	199,414	179,273	199,414	179,273
Financial Ratios				
NA per Share ⁽¹⁾ (cents)	60.74	60.28	31.37	34.89
EPS ⁽²⁾ (cents)	4.09	4.55	3.96	11.68
Gearing ratio ⁽³⁾ (times)	1.42	1.60	0.37	0.37
Current ratio ⁽⁴⁾ (times)	1.49	1.40	3.44	3.44

Notes:

- (1) NA per Share equals Shareholders' funds divided by the total number of Shares, excluding treasury shares and subsidiary holdings
- (2) EPS equals profit attributable to Shareholders 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 who are in doubt as to their respective tax positions or any tax implications arising from the proposed renewal of the Share Purchase Mandate to be tabled at the 2019 AGM, or who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.



LETTER TO SHAREHOLDERS

2.6 Requirements under the Listing Manual

2.6.1 Maximum Price

Under the Listing Manual, a listed company may purchase or acquire shares by way of Market Purchases at a price per share which is not more than 5% 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 or acquisitions 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 Section 2.2.4, conforms to this restriction.

2.6.2 Reporting Requirements

The Listing Manual requires a listed company to notify the SGX-ST of any purchase or acquisition of its shares (i) in the case of a Market Purchase, by 9.00 a.m. on the Market Day following the day on which it purchased or acquired shares; and (ii) in the case of an Off-Market Purchase under an equal access scheme, by 9.00 a.m. on the second Market Day after the close of acceptances of the offer. Such notification shall be in such form and include such details as may be prescribed by the Listing Manual.

2.6.3 No Purchases or Acquisitions after Occurrences of Price Sensitive Developments

While the Listing Manual does not expressly prohibit any purchase or acquisition of shares by a listed company during any particular time(s), 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 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 line with the best practices on dealings in securities under Rule 1207(19) of the Listing Manual, the Company will not purchase or acquire any Shares during the period commencing (i) two (2) weeks before the announcement of the Company’s financial statements for each of the first three (3) quarters of its financial year; and (ii) one (1) month before the announcement of the Company’s full-year financial statements.

2.7 Listing Status of the Shares

Under Rule 723 of the Listing Manual, the Company shall ensure that at least 10% of its total number of issued Shares (excluding treasury shares and subsidiary holdings) is at all times held by the public.

As at the Latest Practicable Date:

- (a) approximately 89,594,000 Shares, representing 44.48% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), are held by the public; and
- (b) no Shares are held by the Company as treasury shares and the Company does not have subsidiary holdings.

If the Company had purchased or acquired Shares from the public up to the full 10% limit pursuant to the Share Purchase Mandate on the Latest Practicable Date, the number of Shares held by the public would be approximately 69,453,000 Shares, representing 38.31% of the total number of issued Shares (excluding treasury shares and subsidiary holdings).



LETTER TO SHAREHOLDERS

The Company is of the view that there is a sufficient number of Shares held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares up to the full 10% limit pursuant to the Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, causing market illiquidity or affecting orderly trading of the Shares.

2.8 Obligations to Make a Take-over Offer

If, as a result of any purchase or acquisition of Shares by the Company, the percentage of voting rights in the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate effective control of the Company and become obliged 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 will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or an acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, if as a result of the Company purchasing or acquiring Shares, (i) the voting rights of Directors and their concert parties would increase to 30% or more; or (ii) in the event that such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six (6) months, the Directors and their concert parties will be exempted from the requirement to make a take-over offer subject to certain conditions, including the submission by such Directors of an executed form prescribed by the Securities Industry Council of Singapore within seven (7) days of the passing of the resolution to authorise the proposed renewal of the Share Purchase Mandate.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 of the Take-over Code, if as a result of the Company purchasing or acquiring its Shares, (i) the voting rights of such Shareholder would increase to 30% or more; or (ii) in the event that such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six (6) months. Such Shareholder need not abstain from voting on the resolution authorising the proposed renewal of the Share Purchase Mandate.

2.8.1 Persons Acting in Concert

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 effective 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 (together with their immediate family members); and (ii) a company, its parent company, subsidiaries and fellow subsidiaries, and their associated companies, and companies whose associated companies include any of the foregoing. Under the Take-over Code, a company is an associated company of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company.



LETTER TO SHAREHOLDERS

Based on substantial shareholding notifications received by the Company as at the Latest Practicable Date, as set out in Section 3, none of the substantial Shareholders would become obliged to make a take-over offer under Rule 14 of the Take-over Code as a result of the purchase or acquisition of Shares by the Company up to the maximum limit of 10% of the Share Purchase Mandate.

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, persons acting in concert such that their respective shareholding interests in the Company should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a purchase or an acquisition of Shares by the Company pursuant to the Share Purchase Mandate.

The statements set out above do not purport to be a comprehensive or exhaustive description of all implications that may arise under the Take-over Code. 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 or acquisition of Shares by the Company pursuant to the Share Purchase Mandate are advised to consult their professional advisers and/or the Securities Industry Council of Singapore and/or other relevant authorities at the earliest opportunity.

2.9 Reporting Requirements

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

The Company shall notify the Registrar within 30 days of a purchase or an acquisition of Shares by the Company. Such notification shall include the date of the purchase or acquisition, the number of Shares purchased or acquired by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued share capital before and after the purchase or acquisition, the amount of consideration paid by the Company for the purchase or acquisition, whether the Shares were purchased or acquired out of the profits or 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 Company shall lodge with the Registrar the notice of cancellation or disposal of treasury shares in the prescribed form.

2.10 Share Purchases or Acquisitions in the Previous 12 Months

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



LETTER TO SHAREHOLDERS

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST

As at the Latest Practicable Date, the interests of the Directors in the Shares, as extracted from the Company's Register of Directors' Shareholdings, and the interests of substantial Shareholders (being a Shareholder whose interest in the Company's issued share capital is equal to or more than 5%), as extracted from the Company's Register of Substantial Shareholders, are as follows:

Name	Direct Interest	Number of Shares		%
		%	Deemed Interest	
Directors				
Soh Siak Poh Benedict	8,540,849	4.24	37,993,060 ⁽¹⁾	18.86
Simon Ong Chin Sim	8,340,830	4.14	37,993,060 ⁽²⁾	18.86
Cheng Oon Teck	656,400	0.33	–	–
Chong Siew Ling	4,150,531	2.06	–	–
Alex Wee Huat Seng	2,703,549	1.34	–	–
Prabhakaran s/o Narayanan Nair	–	–	–	–
Tan Cher Liang	–	–	–	–
Tan Guan Hiang	–	–	–	–
Substantial Shareholders				
Islanda Pte Ltd	37,993,060	18.86	–	–
O-Vest Pte Ltd	37,993,060	18.86	–	–
Png Geok Choo Rose	–	–	37,993,060 ⁽¹⁾	18.86
Soh E-Ling Marianne	–	–	37,993,060 ⁽¹⁾	18.86
Soh Hsien Wern Gavin	–	–	37,993,060 ⁽¹⁾	18.86
Jillian Soh E-Ping	–	–	37,993,060 ⁽¹⁾	18.86
Vera Ong Lim Guek Noi	–	–	37,993,060 ⁽²⁾	18.86
Ong Mei Lin Elita	–	–	37,993,060 ⁽²⁾	18.86

Notes:

- (1) Mr Soh Siak Poh Benedict's, Mdm Png Geok Choo Rose's, Ms Soh E-Ling Marianne's, Mr Soh Hsien Wern Gavin's and 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.
- (2) Mr Simon Ong Chin Sim's, Mdm Vera Ong Lim Guek Noi's and 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.

Save as disclosed above, none of the Directors and substantial Shareholders has any interest, whether direct or indirect, in the proposed renewal of the Share Purchase Mandate to be tabled at the 2019 AGM.



LETTER TO SHAREHOLDERS

4. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the 2019 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 2019 AGM in accordance with the instructions printed therein as soon as possible and, in any event, so as to arrive at the registered office of the Company at 22 Changi Business Park Central 2, The Kingsmen Experience, Singapore 486032, not later than 48 hours before the time appointed for holding the 2019 AGM. The appointment of a proxy or proxies by a Shareholder does not preclude him from attending and voting in person at the 2019 AGM if he so wishes in place of the proxy or proxies 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 2019 AGM and to speak and vote thereat unless his name appears on the Depository Register maintained by CDP pursuant to Part IIIAA of the Securities and Futures Act at least 72 hours before the 2019 AGM.

5. DIRECTORS' RECOMMENDATIONS

The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of Ordinary Resolution 13 relating to the proposed renewal of the Share Purchase Mandate to be tabled at the 2019 AGM.

6. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the proposed renewal of the Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 22 Changi Business Park Central 2, The Kingsmen Experience, Singapore 486032, during normal business hours from the date of this Circular up to and including the date of the 2019 AGM:

- (a) the Annual Report; and
- (b) the Constitution of the Company.

Yours faithfully

For and on behalf of the Board of
Kingsmen Creatives Ltd.

Soh Siak Poh Benedict
Executive Chairman



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KINGSMEN CREATIVES LTD.

Company Registration Number: 200210790Z
(Incorporated in Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 3 for the definition of "relevant intermediary").
2. 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**.
3. 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.

I/We, _____ (name) _____ (NRIC/Passport/Co. Reg No.)

of _____ (address)

being a member/members of **KINGSMEN CREATIVES LTD.** (the "**Company**"), hereby appoint:

and/or (delete as appropriate)

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or failing him/her/them, the Chairman of the Sixteenth Annual General Meeting of the Company (the "**Meeting**") as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Meeting to be held on Tuesday, 30 April 2019 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated below. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies may vote or abstain from voting at his/her/their discretion.

If you wish to exercise all your votes "For" or "Against", please tick [✓] within the box provided. Alternatively, please indicate the number of votes as appropriate.

1.	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018		
2.	Declaration of a final tax exempt one-tier dividend of 1.5 Singapore cents per ordinary share for the financial year ended 31 December 2018		
3.	Re-election of Mr. Soh Siak Poh Benedict as a Director		
4.	Re-election of Mr. Chong Siew Ling as a Director		
5.	Re-election of Mr. Prabhakaran S/O Narayanan Nair as a Director		
6.	Approval of Directors' fees amounting to S\$265,000 for the financial year ended 31 December 2018		
7.	Re-appointment of RSM Chio Lim LLP as Auditors and authorisation of the Directors to fix their remuneration		
8.	Authority to allot and issue shares in the capital of the Company - Share Issue Mandate		
9.	Renewal of, and authority to allot and issue shares under, the Kingsmen Performance Share Scheme		
10.	Participation by Mr. Soh Siak Poh Benedict in the Kingsmen Performance Share Scheme		
11.	Participation by Mr. Simon Ong Chin Sim in the Kingsmen Performance Share Scheme		
12.	Participation by Mr. Roy Ong Chin Kwan in the Kingsmen Performance Share Scheme		
13.	Renewal of the Share Purchase Mandate		

Dated this _____ day of _____ 2019

(a) CDP Register	
(b) Register of Members	

Signature(s) of Shareholder(s)
or, Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. Where a member appoints more than one proxy, the proportion of the shareholdings 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 member who is a relevant intermediary entitled to attend and vote at the Meeting is entitled to appoint more than two proxies to attend and vote at the Meeting instead of such member, but each such proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the proportion of shareholdings in relation to which each proxy has been appointed.

“**relevant intermediary**” means:

- (a) a banking corporation licensed under the Banking Act, Cap. 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Cap. 289 of Singapore (the “**SFA**”), and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board (the “**Board**”) established by the Central Provident Fund Act, Cap. 36 of Singapore (the “**Act**”), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
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 81SF of the SFA), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members of the Company, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members of the Company. If no number is inserted, this proxy form will be deemed to relate to all the shares held by you.
 5. Completion and return of this proxy form shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the proxy form to the Meeting.
 6. This proxy form must be deposited at the registered office of the Company at **22 Changi Business Park Central 2, The Kingsmen Experience, Singapore 486032** not less than **48 hours** before the time appointed for holding the Meeting.
 7. This proxy form must be under the hand of the appointor or of his/her 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.
 8. 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.
 9. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore.

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 in 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/her name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By attending the Meeting and/or any adjournment thereof or submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 8 April 2019.

Kingsmen Creatives Ltd

Co. Reg. No. 200210790Z

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