NEW WAVES OF **CHANGE**

KINGSMEN CREATIVES LTD
ANNUAL REPORT 2019

CONTENTS

Chairman's Message	**04**
Group CEO's Message	**06**
Board of Directors	**08**
Senior Management	**10**
Financial Highlights	**12**
Exhibitions, Thematic & Attractions	**16**
Retail & Corporate Interiors	**18**
Research & Design	**20**
Alternative Marketing	**22**
Corporate Information	**24**
Corporate Governance Report	**25**
Financial Statements	**40**
Major Properties	**132**
Statistics of Shareholdings	**133**

NEW WAVES OF **CHANGE**

A new frontier of innovation has dramatically transformed the market environment we operate in. As we continue this journey of transformation, we will leverage on our expertise and remain nimble to capitalise on opportunities. We will ride on the momentum built over the years and continue to deliver value as we push toward a more resilient and focused future.

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,

In 2019, we continued to transform for the future. Despite a market backdrop of ongoing trade tensions and geopolitical uncertainty, we continued the execution of our strategy to deliver outstanding creativity for our clients, while making meaningful progress of developing different income streams that will allow us to counter market gyrations in the future.

Our core foundations are grounded in the steady focus on our priorities that have served us well in helping our clients succeed. While we remain relentless in keeping a keen eye on expanding our suite of offerings, we continue to challenge ourselves to innovate and drive efficiencies throughout our organisation, increasing shareholders value.

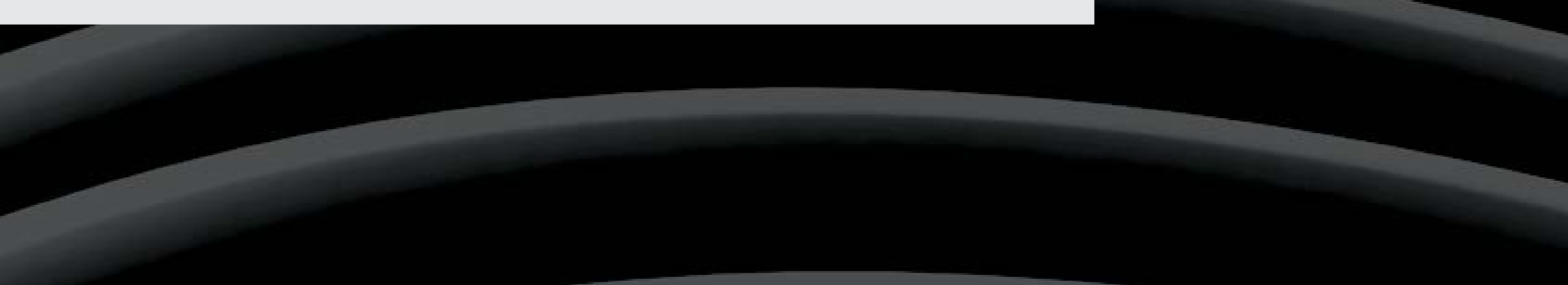
In alignment with our objectives for the future, we launched three branded experiential attractions that target a new customer segment. Profits for the year declined due to the planned investments in the branded experiential attractions business. However, we recognise that there is still a long runway to achieve market growth and are excited by the potential we observe in this segment. We are stepping up efforts to leverage this progress to deliver stronger results.

As we focus on expanding our service portfolio, we continue our ongoing efforts to strengthen our core operating infrastructure to drive greater efficiency. This includes restructuring efforts that are necessary to differentiate us in the market and to support our growth objectives over time. Ultimately, this period of transition will eventually make us a more agile and competitive organisation.

A cornerstone of our strategy for sustainable growth is our people. We stay dedicated to continually invest in our core asset and provide them expanded development opportunities for personal growth. This is critical for our future growth. Delivering on these opportunities can only be achieved through the strength of our team.

With the global pandemic of COVID-19, the market outlook we face will be challenging. However, we have in place a sustainable business that is resilient and built to withstand tough times. In the year ahead, we will continue raising the bar, redefining possibilities and focus on operation efficiency for our business and our clients. More importantly, we will ensure that we continue to value add to the business as we strengthen ourselves for the journey ahead.

BENEDICT SOH
Chairman



GROUP CEO'S MESSAGE

Dear Shareholders,

2019 saw us take major strides in positioning ourselves to deliver sustainable growth for our business amid an evolving market and disruption. We implemented our planned expansion into experiential attractions – TOYBOX, a multi–brand carnival powered by Hasbro, the world's first NERF Action Xperience arena and Living Worlds: An Animal Planet Experience, a first-in-the-world wildlife and exploration travelling exhibition. These three experiential attractions are part of the next phase of our business transformation and will position Kingsmen for long-term growth and value creation.

These new attractions are still at the infancy stage and have impacted our profitability. During the past year, we also faced market disruption caused by US-China trade tensions, increasing global uncertainty and stiffer competition in the markets we operate in. Amid the evolving landscape, our key priority was to retain our focus in ensuring that core service capabilities were relevant to the fast-moving needs of the market. Financially, we recorded a 1.4% increase in revenue to $365.9 million and a 93.6% decline in net profit to $0.5 million in 2019.

Our Exhibitions, Thematic & Attractions division revenue grew 7.2% in 2019 to S$171.7 million compared to S$160.2 million in 2018, as a strong pipeline of projects were completed in 2019. The division is taking deliberate steps to coordinate resources to handle the current massive disruption to the exhibitions and events segment and be ready for the influx when business resumes. We continue to seek out new opportunities, especially in the thematic and attraction space to ensure that the division is well positioned to stay afloat despite current sentiments.

The market conditions the Retail & Corporate Interiors division are facing have been challenging, but the team remains committed to keeping a close watch on opportunities that are available in the industry. The division recorded a 1.3% fall in revenue in 2019 to S$169.8 million compared to S$172.0 million in 2018. Looking ahead, the team is focused on building stronger capabilities and achieve greater efficiency by restructuring its operations to drive margin improvements, deliver revenue growth and achieve growth targets.

Our Research & Design division continues its long track record of delivering steady growth, registering a revenue of S$17.4 million in 2019, an increase of 1.4% compared to S$17.1 million in 2018. Additionally, our Alternative Marketing division recorded a revenue of S$7.0 million in 2019, a decrease from S$11.5 million in 2018. The team continues to review and reshape its portfolio to maximise value and remain relevant to the fast-moving needs of our clients and the marketplace.

For now, the COVID-19 crisis is threatening to put the global economy into a recession and the full impact has yet to be felt. However, we take assurance that we have strong foundations, built over the past few decades, that will allow us to weather through these tough times. Beyond our well-established capabilities and global reach, our dedicated team of people continually innovate and look to create better experiences and differentiated value.

Looking ahead, we know we are facing a future that will continue to change rapidly. We remain focused on executing our strategy, capitalising on opportunities to drive stronger performance, and creating even greater value for our clients, and for you, our shareholders.

Thank you for your continued support in Kingsmen.

ANDREW CHENG
Group CEO

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 SHOP!, a leading Association of Retail Environments in USA. In 2019, he was inducted into the Shop! Hall of Fame in recognition of his significant contributions to the industry.

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. 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, tradeshows, 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) and was delisted in August 2019. 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. 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, US and certified Diversity Practitioner from Cornell University, US. Cynthia obtained her Diploma in Personnel Management from the University of Cardiff, UK, Master of Business Administration from the University of Hull, UK, and a Doctorate in Business Administration from the Hong Kong Polytechnic University.

SENIOR MANAGEMENT

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 its 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 25 years of experience in the interiors and exhibitions business, and is responsible for the overall management including sales & marketing, operations and finance. He 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-to-day operations, sales, marketing and management of our Vietnam offices. With more than 15 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.

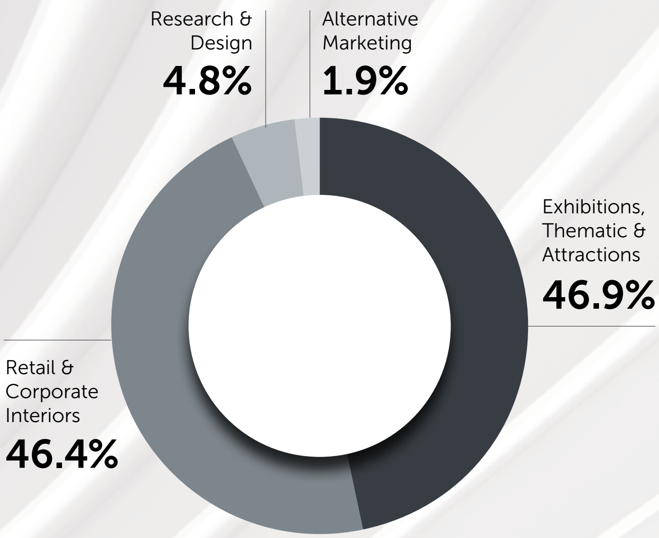
EDMUND TAN
Financial Controller

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

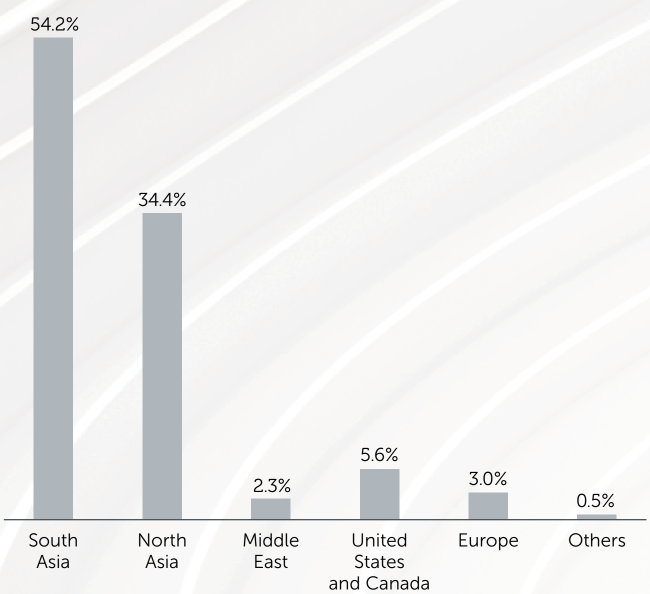
	FY2015	FY2016	FY2017	FY2018	**FY2019**
FOR THE YEAR (S$'000)					
Revenue	327,903	329,707	307,254	360,928	**365,922**
Gross profit	83,677	83,447	77,198	82,037	**77,256**
Profit before tax	21,641	14,350	10,168	11,100	**2,174**
Profit net of tax attributable to equity holders of the Company	19,068	11,896	9,741	8,154	**518**
AT YEAR-END (S$'000)					
Total assets	252,231	259,031	246,365	293,953	**286,358**
Total liabilities	138,860	140,361	124,315	172,554	**171,581**
Shareholders' funds	111,277	116,826	120,924	121,222	**115,089**
Cash and cash equivalents	70,688	74,551	71,073	77,508	**63,587**
Borrowings	13,385	11,056	13,933	35,675	**33,374**
PER SHARE (CENTS)					
Earnings – basic and diluted	9.71	6.02	4.90	4.09	**0.26**
Dividends	3.00	2.50	2.50	2.50	**1.00**
Net assets	56.51	58.96	60.73	60.74	**56.99**
KEY RATIOS (%)					
Revenue growth	(2.5)	0.6	(6.8)	17.5	**1.4**
Gross profit margin	25.5	25.3	25.1	22.7	**21.1**
Net profit margin	5.8	3.6	3.2	2.3	**0.1**
Return on shareholders' funds	18.3	10.4	8.2	6.7	**0.4**
Debt equity	12.0	9.5	11.5	29.4	**29.0**

REVENUE BY ACTIVITIES



ACTIVITIES	Year Ended 31 Dec 19 S$'000	%	Year Ended 31 Dec 18 S$'000	%
Exhibitions, Thematic & Attractions	**171,736**	**46.9**	160,253	44.4
Retail & Corporate Interiors	**169,774**	**46.4**	171,983	47.7
Research & Design	**17,370**	**4.8**	17,123	4.7
Alternative Marketing	**7,042**	**1.9**	11,569	3.2
Total Revenue	**365,922**	**100.0**	360,928	100.0

REVENUE BY GEOGRAPHY



GEOGRAPHY	Year Ended 31 Dec 19 S$'000	%	Year Ended 31 Dec 18 S$'000	%
South Asia	**198,425**	**54.2**	191,567	53.1
North Asia	**125,746**	**34.4**	124,008	34.4
Middle East	**8,475**	**2.3**	11,161	3.1
United States and Canada	**20,368**	**5.6**	19,986	5.5
Europe	**10,997**	**3.0**	11,479	3.2
Others	**1,911**	**0.5**	2,727	0.7
Total Revenue	**365,922**	**100.0**	360,928	100.0

FINANCIAL HIGHLIGHTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Year Ended 31 Dec 19 S$'000	Year Ended 31 Dec 18 S$'000	+ / (–) %
Revenue			
Exhibitions, Thematic & Attractions	**171,736**	160,253	7.2
Retail & Corporate Interiors	**169,774**	171,983	(1.3)
Research & Design	**17,370**	17,123	1.4
Alternative Marketing	**7,042**	11,569	(39.1)
Total revenue	**365,922**	360,928	1.4
Cost of sales	**(288,666)**	(278,891)	3.5
Gross profit	**77,256**	82,037	(5.8)
Other items of income			
Interest income	**570**	437	30.4
Other income	**2,889**	3,873	(25.4)
Other items of expense			
Depreciation of property, plant and equipment	**(3,216)**	(2,356)	36.5
Employee benefits expense	**(58,555)**	(57,682)	1.5
Other expenses	**(15,562)**	(14,418)	7.9
Interest expense	**(1,506)**	(801)	88.0
Share of result of joint venture	**150**	(16)	n/m
Share of results of associates	**148**	26	469.2
Profit before tax	**2,174**	11,100	(80.4)
Income tax expense	**(1,695)**	(3,742)	(54.7)
Profit net of tax	**479**	7,358	(93.5)
Profit/(loss) net of tax attributable to:			
Equity holders of the Company	**518**	8,154	(93.6)
Non-controlling interests	**(39)**	(796)	(95.1)
Profit net of tax	**479**	7,358	(93.5)

Note:
n/m = not meaningful

REVENUE

For the financial year ended 31 December 2019 ("FY2019"), the Group recorded a revenue of S$365.9 million, an increase of S$5.0 million or 1.4% compared to S$360.9 million for the previous corresponding financial year ended 31 December 2018 ("FY2018"). The increase in revenue was mainly due to the contribution from several key events and projects in FY2019.

The Exhibitions, Thematic & Attractions division registered a revenue of S$171.7 million in FY2019, an increase of S$11.5 million or 7.2% from S$160.2 million in FY2018. The key contributors to the division's revenue included major events and projects such as Changi Experience Studio, Formula 1 Singapore Grand Prix, Money 2020 Asia 2019, National Day Parade 2019, Shenzhen Binhai Tencent Exhibition Centre, Singapore Bicentennial Event, Singapore FinTech Festival 2019, SMBC Singapore Open 2019, TFWA Asia Pacific Exhibition & Conference 2019 and thematic projects in the region.

The Retail & Corporate Interiors division recorded a revenue of S$169.8 million in FY2019, a decrease of S$2.2 million or 1.3% compared to S$172.0 million in FY2018. The key accounts which contributed to the division's revenue included clients and brand names such as Coach, Don Don Donki, Fendi, Kate Spade, Lululemon, Michael Kors, Mikimoto, Skechers, Tiffany & Co. and Van Cleef & Arpels.

The Research & Design division achieved a revenue of S$17.4 million in FY2019, an increase of S$0.3 million or 1.4% from S$17.1 million in FY2018. The key accounts which contributed to the division's revenue included clients and brand names such as Burberry, Gucci, National Heritage Board, Procter & Gamble Co. and TAG Heuer, and thematic projects in the region.

The Alternative Marketing division registered a revenue of S$7.0 million in FY2019, a decrease of S$4.5 million or 39.1% compared to S$11.5 million in FY2018. The key contributors to the division's revenue included events and projects from clients such as Automobile Association of Singapore, National Council on Problem Gambling, Robinson and Singapore Cruise Centre.

GROSS PROFIT

Gross profit in FY2019 decreased by S$4.8 million or 5.8% to S$77.2 million compared to S$82.0 million in FY2018. The gross profit registered was due to higher revenue recorded but at a lower gross profit margin of 21.1% in FY2019 compared to 22.7% in FY2018. The gross profit margin was mainly affected 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$1.0 million or 25.4% from S$3.9 million in FY2018 to S$2.9 million in FY2019. The decrease was mainly due to an absence of net foreign exchange gain and service income, which amounted to S$1.0 million and S$0.2 million respectively in FY2018, and partially offset by higher miscellaneous income of S$0.1 million.

OTHER ITEMS OF EXPENSE

Higher operating expenses were incurred in FY2019 compared to FY2018. The higher depreciation charge on property, plant and equipment was mainly due to depreciation charge incurred on the new headquarters building and related renovations which commenced use from September 2018. The increase in employee benefits expense was mainly due to higher cost resulting from the new experiential attractions business. Other expenses were higher mainly due to a net foreign exchange loss of S$0.4 million recorded in FY2019 compared to a net foreign exchange gain of S$1.0 million recorded in other income in FY2018, recognition of depreciation charge on right-of-use assets and expenses incurred for the new experiential attractions business, which were partially offset by an absence of operating lease expenses and recognition of lower bad trade debts written off. The net foreign exchange loss arose mainly from the appreciation of the Singapore Dollar against the various currencies that the Group conducted its operations in, in particular the United States Dollar. The increase in interest expense was mainly due to a higher amount of loans and borrowings outstanding in FY2019 compared to FY2018 and recognition of interest expense on lease liabilities.

SHARE OF RESULT OF JOINT VENTURE

Share of result of joint venture changed by S$166,000 from a loss of S$16,000 in FY2018 to a profit of S$150,000 in FY2019. The joint venture company was newly incorporated at end 2018.

SHARE OF RESULTS OF ASSOCIATES

Share of profits of associates increased by S$122,000 or 469.2% from S$26,000 in FY2018 to S$148,000 in FY2019. The increase was mainly due to higher 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$7.6 million or 93.6% from S$8.1 million in FY2018 to S$0.5 million in FY2019.

EXHIBITIONS, THEMATIC & ATTRACTIONS

NERF Action Xperience, Singapore

From Singapore to Singaporean - The Bicentennial Experience

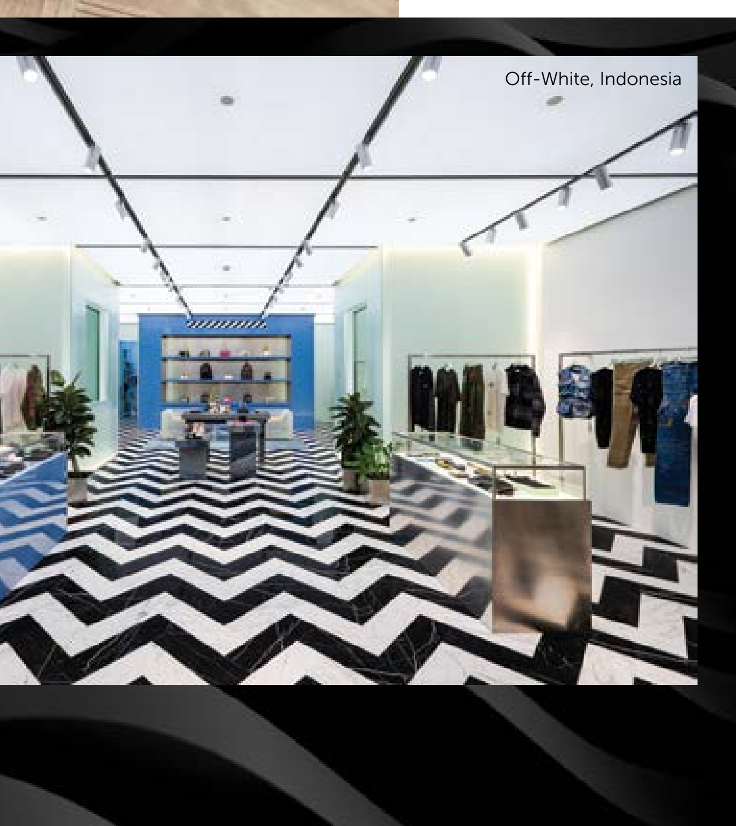
Money 20/20, Singapore

TOYBOX powered by Hasbro, Singapore

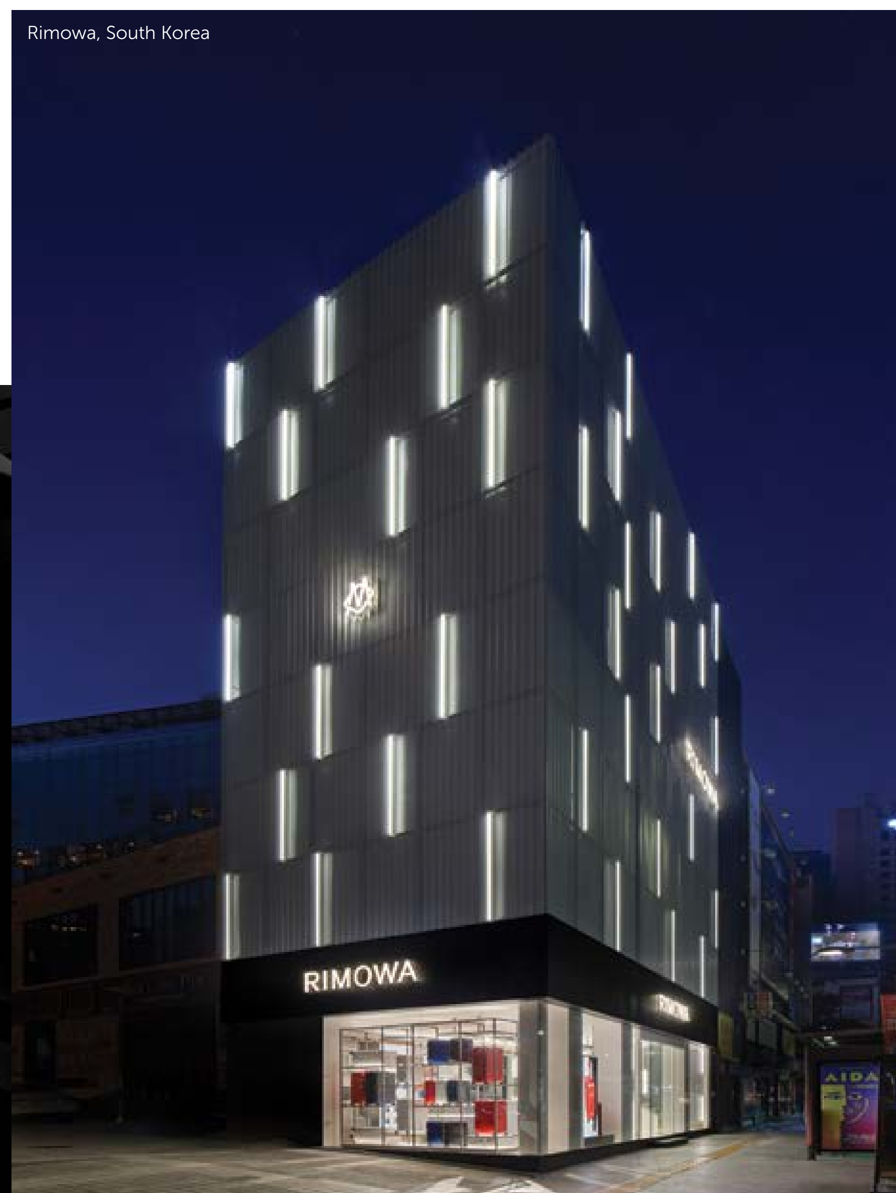
RETAIL & CORPORATE INTERIORS

Missoni, Singapore

Burger & Lobster, Singapore



Off-White, Indonesia



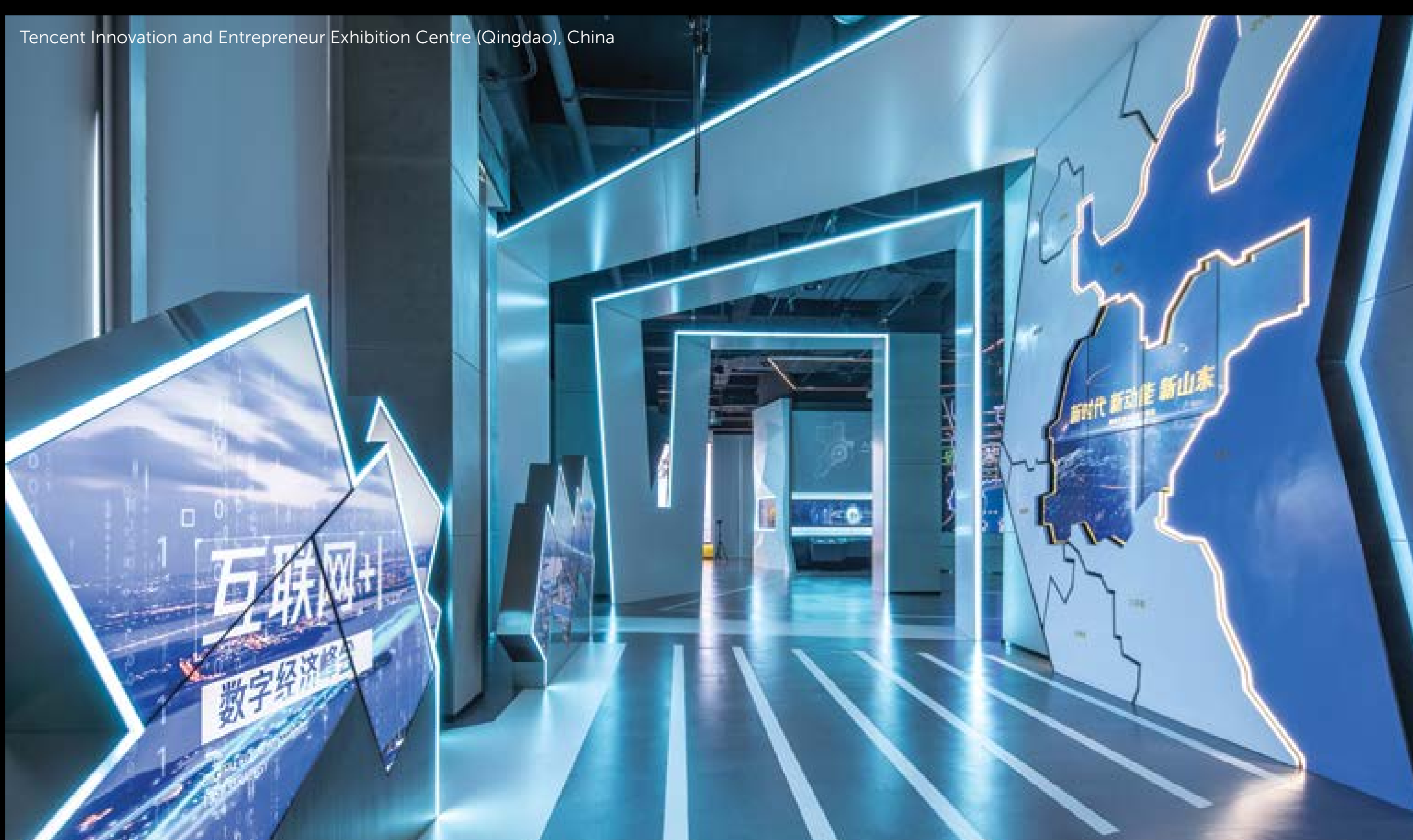
Rimowa, South Korea

RESEARCH & DESIGN

DHL Innovation Centre Chicago, USA

Changi Experience Studio, Singapore

Dian Xiao Er, Singapore



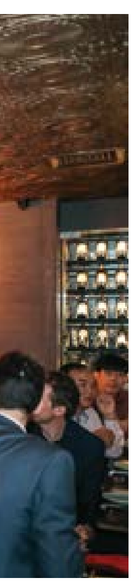
Tencent Innovation and Entrepreneur Exhibition Centre (Qingdao), China

Grand Seiko's 'The Flow of Time', Thailand

ALTERNATIVE MARKETING

Glenmorangie Experiential Whisky Dinner, Vietnam

Aston Martin Roadshow, Vietnam



Scoot "The Yellow Converter" Campaign, Singapore

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: Lock Chee Wee
Appointed since financial year ended 31 December 2019

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 2018 (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 2019 ("**FY2019**"), the Group has complied substantially with the principles and provisions 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: The company is headed by an effective board which is collectively responsible and works with management for the long-term success of the company.

The directors are fiduciaries who act objectively in the best interests of the Group and hold management accountable for performance. The Board of Directors (the "**Board**") puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the Group. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.

The principal roles of the Board are to:

- set and direct the long-term vision and strategic direction of the Group, which include appropriate focus on value creation, innovation and sustainability;
- constructively challenge management and 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.

CORPORATE GOVERNANCE REPORT

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 compositions, 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 interim and full-year financial statements 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.

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 FY2019 and the attendance of our directors at these meetings are as follows:

	Board Meeting		**Audit Committee Meeting**		**Nominating Committee Meeting**		**Remuneration Committee Meeting**	
Name of Director	**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 *
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

CORPORATE GOVERNANCE REPORT

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.

Access to Information

The Company makes available to all directors its 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 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 Group's 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 "**SGX-ST**") (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.

CORPORATE GOVERNANCE REPORT

Board Composition and Guidance

Principle 2: The board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

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 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 and 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 and mix of skills, experience and knowledge of the Group, and other aspects of diversity such as gender and age, which avoid groupthink, foster constructive debate and 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.

CORPORATE GOVERNANCE REPORT

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.

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 is a clear division of responsibilities between the leadership of the board and management, and no one individual has unfettered powers of decision-making.

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.

CORPORATE GOVERNANCE REPORT

Board Membership

Principle 4: The board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of 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, the Chief Executive Officer and management, 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	30 April 2019
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	30 April 2019
Wee Huat Seng	1 July 2016	27 April 2018
Prabhakaran S/O Narayanan Nair	12 August 2003	30 April 2019
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 commitments[1] as set out in the section entitled "Board of Directors" of this Annual Report. 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 and other principal commitments which any director may hold. Each director has confirmed that notwithstanding other listed company board representations and other principal commitments (if any), he/she is able to devote sufficient time and attention to the affairs of the Group.

1 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. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

CORPORATE GOVERNANCE REPORT

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 89 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 88 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: The board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

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 recommended by the NC 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 FY2019.

Individual Director Evaluation

The NC will assess and discuss each director's contribution to the effectiveness of the Board on an annual basis. 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.

CORPORATE GOVERNANCE REPORT

2. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his/her own remuneration.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

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 FY2019, 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 that are appropriate and proportionate to the sustained performance and value creation of the Group, taking into account the strategic objectives of the Group. 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.

CORPORATE GOVERNANCE REPORT

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.

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 FY2019 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

	Fees	Salary	Bonus/ Incentives	Benefits	Share Award	Total Remuneration	
Name of Director	**%**	**%**	**%**	**%**	**%**	**%**	**S$'000**
Executive Directors							
Soh Siak Poh Benedict	25	53	17	5	–	100	460
Simon Ong Chin Sim	24	54	17	5	–	100	455
Cheng Oon Teck	9	69	18	3	1	100	464
Chong Siew Ling	5	47	46	2	–	100	659
Wee Huat Seng	5	85	6	4	–	100	368
Independent Directors							
Prabhakaran S/O Narayanan Nair	100	–	–	–	–	100	43
Tan Cher Liang	100	–	–	–	–	100	50
Tan Guan Hiang	100	–	–	–	–	100	43

CORPORATE GOVERNANCE REPORT

(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$250,000 to S$499,999						
Kevin Cheon Kwan Hoe	5	48	35	12	–	100
Roy Ong Chin Kwan	3	72	20	5	–	100
Francis Chang Keat Jin	3	60	23	7	7	100
Gerald Tay Kay Sock	4	70	21	5	–	100
Below S$250,000						
Alix Lim Tian Siong	–	83	4	13	–	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$1,426,000.

Mr Roy Ong Chin Kwan is the brother and thus an immediate family member of Mr Simon Ong Chin Sim, our Deputy Executive Chairman and a substantial shareholder of the Company. Mr Roy Ong Chin Kwan's remuneration for FY2019 falls in the band of S$300,000 to S$400,000. Save as disclosed above, there are no employees who are substantial shareholders of the Company, or are immediate family members of a director, the chief executive officer or a substantial shareholder of the Company, whose annual remuneration exceeds S$100,000.

Employee Share Scheme

Pursuant to the Scheme, an aggregate of 537,570 fully-paid shares, constituting approximately 0.3% of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings), were awarded and issued in FY2019. Since the commencement of the Scheme, an aggregate of 9,853,980 fully-paid shares, constituting approximately 4.9% 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

Risk Management and Internal Controls

Principle 9: The board is responsible for the governance of risk and ensures that management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

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.

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 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.

CORPORATE GOVERNANCE REPORT

The AC has reviewed and is satisfied with the assurance received by the Board from the executive directors (including the Group Chief Executive Officer who is an executive director) 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 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.

In accordance with Rule 705(5) of the Listing Manual, the Board provides a negative assurance confirmation to shareholders in its interim 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.

Audit Committee

Principle 10: The board has an audit committee which discharges its duties objectively.

<u>Audit Committee</u>

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 have recent and relevant knowledge and experience in accounting and/or 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;
- evaluating the adequacy and effectiveness of the Group's internal controls and risk management systems by, *inter alia*, reviewing the reports of the internal auditors, and management's responses and actions to correct any deficiencies and reporting the same to the Board at least annually;

CORPORATE GOVERNANCE REPORT

- reviewing the adequacy and effectiveness of the Group's internal audit function;
- reviewing the assurance from the executive directors (including the Group Chief Executive Officer who is an executive director) and the Financial Controller on the financial records and financial statements;
- making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors;
- making recommendations to the Board on 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 and effectiveness of audit arrangements, with emphasis on the scope and quality of audit and the independence and objectivity of the auditors, and the results of the audit functions.

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.

<u>Internal Audit</u>

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 Company has engaged Nexia TS Risk Advisory Pte. Ltd. ("**Nexia**") as its internal auditors. Nexia is a certified public accounting firm and a member of the Institute of Internal Auditors Singapore ("**IIA**"). In performing the internal audit, Nexia applies the Standards for the Professional Practice of Internal Auditing set by IIA. Nexia reports primarily to the Chairman of the AC and has 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.

<u>External Auditors</u>

In the review of the financial statements for FY2019, 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 key audit matters that have been included in the Independent Auditor's Report dated 1 April 2020 to the shareholders of the Company, have been properly dealt with and recommended the Board to approve the financial statements. The Board has on 1 April 2020 approved the financial statements.

The AC reviews the independence of RSM annually. No non-audit services were rendered by RSM during FY2019. The audit fees paid/payable to RSM for FY2019 amount to S$202,000. The partner in charge of auditing the Group, Mr Lock Chee Wee, was appointed from FY2019. 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.

CORPORATE GOVERNANCE REPORT

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 the safe raising and 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.

4. SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Engagement with Stakeholders

Principle 13: The board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

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 only where the resolutions are interdependent and linked so as to form one significant proposal and the reasons and material implications involved are explained in the notices of shareholders' meetings. 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. All directors attend shareholders' meetings and the Executive Chairman, the Deputy Executive Chairman and the chairpersons of the AC, NC and RC are available 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 directors have attended all shareholders' meetings that were held in FY2019.

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 on behalf of the member. Voting in absentia and via electronic mail may only be possible following careful study to ensure the integrity of the information and authentication of the identity of the 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 not publicly released due to commercial confidentiality, but are available to shareholders upon written request.

CORPORATE GOVERNANCE REPORT

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 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 the Company's corporate website before the Company meets with any group of investors, analysts, media or other stakeholders. 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 corporate website. The Company's comprehensive corporate website, which is updated regularly, allows the Company to communicate and engage with its stakeholders.

The Company also holds briefings to present full-year financial results for the media and analysts. Outside of the financial announcement periods, when necessary and appropriate, management will meet investors, analysts, media and other stakeholders who like to seek a better understanding of the Group's business and operations. This also enables the Company to solicit feedback from the community on a range of strategic and topical issues which provide valuable insights to the Company on their 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 has an investor relations team who facilitates communication with investors, analysts, media and other stakeholders on a regular basis, attend to their queries or concerns as well as to keep them apprised of the Group's developments. To enable these stakeholders to contact the Company easily, the contact details are set out on the Company's corporate website. The investor relations team has procedures in place for responding to queries on a timely basis.

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 financial results and one month before the announcement of the Group's full-year financial results (if the Group announces quarterly financial results, whether required by the SGX-ST or otherwise), or one month before the announcement of the Group's half-year and full-year financial results (if the Group does not announce quarterly 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.

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. The aggregate value of interested person transactions entered into by the Group during FY2019 is as follows:

Nature of transaction and name of interested person	**Nature of relationship**	**Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S$'000**	**Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) S$'000**
Sale of services			
– Clarion Medical and Aesthetics Pte Ltd	Associate of Soh Siak Poh Benedict (Executive Chairman and Substantial Shareholder)	114	–
– Papa Palheta Pte Ltd	Associate of Simon Ong Chin Sim (Deputy Executive Chairman and Substantial Shareholder)	245	–

FINANCIAL STATEMENTS

DIRECTORS' STATEMENT **41**

INDEPENDENT AUDITOR'S REPORT **47**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME **52**

STATEMENTS OF FINANCIAL POSITION **53**

STATEMENTS OF CHANGES IN EQUITY **54**

CONSOLIDATED STATEMENT OF CASH FLOWS **57**

NOTES TO THE FINANCIAL STATEMENTS **59**

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 2019.

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 2019, 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)
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
Name of director	Ordinary shares of the Company			
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	656,400	664,960	–	–
Chong Siew Ling	4,150,531	4,150,531	–	–
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 2020.

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 for an initial duration of ten years by the members of the Company at an Extraordinary General Meeting of the Company held on 29 April 2009. The KPSS was extended for a further duration of ten years by the members of the Company at the Sixteenth Annual General Meeting of the Company held on 30 April 2019. 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 30 April 2019 which is the date the KPSS was extended by the Company in a 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 a 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 a 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 537,570 (2018: 468,200) performance shares were awarded to and accepted by 37 (2018: 27) 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 1.1.2019 (a)	Share awards granted during the reporting year	Share awards vested during the reporting year (b)	Balance as at 31.12.2019 (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	482,970	8,560	8,560	491,530	491,530
Chong Siew Ling	515,770	–	–	515,770	515,770
Wee Huat Seng	648,150	–	–	648,150	648,150
Employees	6,345,970	529,010	529,010	6,874,980	6,874,980
	9,316,410	537,570	537,570	9,853,980	9,853,980

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.

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

DIRECTORS' STATEMENT

7. AUDIT COMMITTEE (CONT'D)

The Audit Committee 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 2018 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 and risk management systems 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;
- reviewing the assurance from the executive directors (including the Group Chief Executive Officer who is an executive director) and the Financial Controller on the financial records and financial statements;
- making recommendations to the board of directors on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors;
- making recommendations to the board of directors on 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 and effectiveness of audit arrangements, with emphasis on the scope and quality of audit and the independence and objectivity of the auditors, and the results of the audit functions.

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

1 April 2020

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 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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 accompanying 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 consolidated financial position of the Group and the financial position of the Company as at 31 December 2019, and of the consolidated financial performance, consolidated changes in equity and consolidated 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 ("ACRA") 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 significant management 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.

Management's 'value in use' estimates require significant judgements and the determination of the recoverable amounts is a key focus area of our audit. We have discussed with management the process over the determination of the 'value in use' estimates. Our audit procedures included, among others, using our in-house valuation specialists to assist us in evaluating and challenging management's methodologies and 'value in use' estimates for indications of possible bias on the part of management. This is done through our knowledge of the cash-generating units' operations, their past performance, management's growth strategies and cost initiatives. Our in-house valuation specialists also compared the discount rates and growth rates used to industry benchmarks and regional indices to evaluate their appropriateness and tested the accuracy of the computations.

Based on our procedures, we found management's approach and 'value in use' estimates and computations to be reasonable. 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 largely recognises revenue and profit from construction contracts over time based on the progress of each construction contract. The progress is usually assessed with reference to the proportion of contract costs incurred for the work performed as at the reporting year end, relative to the estimated total costs of the contract at completion. The recognition of revenue and profit is therefore dependent on management's estimates in relation to the final revenue and costs of each contract. Cost contingencies may also be included in the estimates to take into account specific uncertainties arising within each contract. These contingencies are reviewed by management throughout the contract life and adjusted where appropriate. Subsequent variations from the initially agreed scope of work are included in the estimates. The amounts to be included are recognised when the Group believes it is highly probable that a significant revenue reversal will not occur when the uncertainty associated with the variations are subsequently resolved. Significant management judgements are exercised in estimating the amount of revenue to be recognised by the Group, assessing the level of cost contingencies, and recognising variation orders and claims. 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 25 of the financial statements.

We have selected a sample of contracts that met certain qualitative and quantitative criteria to assess the reasonableness of significant and complex management's estimates. We have examined the key contract terms identifying relevant contractual mechanisms such as liquidated damages, defects liability and warranties. We have obtained relevant information from management when assessing whether these key terms have been appropriately accounted for in the financial statements. We have performed a review of prior and current contract project budgets, available third party evidence and historical trends and assessed consistency with the progress of projects supported by the detailed status reports during the current reporting year to assess the 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 suppliers' invoices. We have also performed tests and assessed the variation orders and claims recognised on projects.

Based on our procedures, we found management's approach and estimates 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 34 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 evidence which includes 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 increase in credit risk 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.

INDEPENDENT AUDITOR'S REPORT

To The Members of Kingsmen Creatives Ltd.

Key audit matters (cont'd)

(3) Recoverability of trade receivables (cont'd)

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 reasonable. We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

(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 significant management 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.

Management's estimates applied to the cash flow forecasts require significant judgements and the determination of the recoverable amounts is a key focus of our audit. We have discussed with management the process over the determination of the estimates applied to the cash flow forecasts. Our audit procedures included, among others, using our in-house valuation specialists to assist us in evaluating and challenging management's methodologies and 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. Our in-house valuation specialists also compared the discount rates and growth rates used to industry benchmarks and regional indices to evaluate their appropriateness and tested the accuracy of the computations.

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 evidence which includes 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 increase in credit risk 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 approach and estimates used in the cash flow forecasts to be reasonable. 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 reasonable. 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.

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.

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.

INDEPENDENT AUDITOR'S REPORT

To The Members of Kingsmen Creatives Ltd.

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

(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.

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 Lock Chee Wee.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

1 April 2020

Engagement partner - effective from reporting year ended 31 December 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year Ended 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000
Revenue	6	365,922	360,928
Cost of sales		(288,666)	(278,891)
Gross profit		77,256	82,037
Other items of income			
Interest income	7	570	437
Other income	8	2,889	3,873
Other items of expense			
Depreciation of property, plant and equipment	15	(3,216)	(2,356)
Employee benefits expense	9	(58,555)	(57,682)
Other expenses	10	(15,562)	(14,418)
Interest expense	11	(1,506)	(801)
Share of result of joint venture		150	(16)
Share of results of associates		148	26
Profit before tax		2,174	11,100
Income tax expense	12	(1,695)	(3,742)
Profit net of tax		479	7,358
Other comprehensive income/(loss):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		(763)	(1,326)
		(763)	(1,326)
Items that will not be reclassified to profit or loss:			
Change in fair value of equity instrument at fair value through other comprehensive income		(1,233)	(1,826)
Defined benefit plan actuarial gain, net of tax		2	34
		(1,231)	(1,792)
Other comprehensive loss for the year, net of tax		(1,994)	(3,118)
Total comprehensive (loss)/income		(1,515)	4,240
Profit/(loss) net of tax attributable to:			
Equity holders of the Company		518	8,154
Non-controlling interests		(39)	(796)
Profit net of tax		479	7,358
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		(1,590)	5,013
Non-controlling interests		75	(773)
Total comprehensive (loss)/income		(1,515)	4,240
Earnings per share attributable to equity holders of the Company (cents per share)			
Basic	13	0.26	4.09
Diluted	13	0.26	4.09

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

STATEMENTS OF FINANCIAL POSITION

As At 31 December 2019

	Note	Group		Company	
		2019	2018	2019	2018
		$'000	$'000	$'000	$'000
ASSETS					
Non-current assets					
Land use rights	14	7,534	6,495	6,252	6,495
Property, plant and equipment	15	53,357	48,580	24,696	25,781
Intangible assets	16	9,015	8,539	–	–
Investments in subsidiaries	17	–	–	31,736	30,819
Investment in joint venture	18	381	232	–	–
Investments in associates	19	6,127	6,162	3,430	3,430
Other investments	20	1,296	2,529	1,296	2,529
Trade and other receivables	21	–	134	–	–
Right-of-use assets	22	9,187	–	5	–
Deferred tax assets	23	2,268	722	–	–
		89,165	73,393	67,415	69,054
Current assets					
Inventories	24	2,482	4,169	–	–
Contract assets	25	20,035	25,924	–	–
Trade and other receivables	21	105,986	108,748	7,812	6,302
Other assets	26	3,687	1,962	42	102
Cash and cash equivalents	27	65,003	79,757	6,928	10,563
		197,193	220,560	14,782	16,967
Total assets		286,358	293,953	82,197	86,021
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	28	29,191	27,984	29,191	27,984
Retained earnings		93,713	98,631	34,409	34,892
Other reserves	29	(7,815)	(5,393)	(1,496)	(263)
		115,089	121,222	62,104	62,613
Non-controlling interests		(312)	177	–	–
Total equity		114,777	121,399	62,104	62,613
Non-current liabilities					
Trade and other payables	30	1,171	1,147	–	–
Other financial liabilities	31	27,382	22,510	17,375	18,425
Deferred tax liabilities	23	520	377	41	56
		29,073	24,034	17,416	18,481
Current liabilities					
Contract liabilities	25	9,393	10,305	–	–
Trade and other payables	30	110,702	119,642	1,380	3,687
Other financial liabilities	31	15,876	13,165	1,179	1,240
Other liabilities	32	3,057	1,670	37	–
Income tax payable		3,480	3,738	81	–
		142,508	148,520	2,677	4,927
Total liabilities		171,581	172,554	20,093	23,408
Total equity and liabilities		286,358	293,953	82,197	86,021

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

STATEMENTS OF CHANGES IN EQUITY

Year Ended 31 December 2019

Group	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
	Attributable to equity holders of the Company					
Opening balance at 1 January 2019, as previously reported	27,984	98,631	(5,393)	121,222	177	121,399
Effect of adopting SFRS(I) 16 (Note 39)	–	(176)	–	(176)	(3)	(179)
Opening balance at 1 January 2019, as restated	27,984	98,455	(5,393)	121,046	174	121,220
Profit/(loss) for the year	–	518	–	518	(39)	479
Other comprehensive income/(loss)						
Change in fair value of equity instrument at fair value through other comprehensive income (Note 29)	–	–	(1,233)	(1,233)	–	(1,233)
Foreign currency translation (Note 29)	–	–	(877)	(877)	114	(763)
Defined benefit plan actuarial gain (Note 30)	–	2	–	2	–*	2
Other comprehensive income/(loss) for the year, net of tax	–	2	(2,110)	(2,108)	114	(1,994)
Total comprehensive income/(loss) for the year	–	520	(2,110)	(1,590)	75	(1,515)
Contributions by and distributions to equity holders						
Ordinary shares issued pursuant to acquisition of non-controlling interest in a subsidiary (Note 28)	917	–	–	917	–	917
Ordinary shares issued pursuant to performance share scheme (Note 28)	290	–	–	290	–	290
Dividends paid on ordinary shares (Note 33)	–	(5,049)	–	(5,049)	–	(5,049)
Total contributions by and distributions to equity holders	1,207	(5,049)	–	(3,842)	–	(3,842)
Changes in ownership interests in subsidiaries						
Acquisition of non-controlling interest of subsidiaries without a change in control (Note 29)	–	–	(525)	(525)	(441)	(966)
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	(120)	(120)
Total changes in ownership interests in subsidiaries	–	–	(525)	(525)	(561)	(1,086)
Total transactions with equity holders in their capacity as equity holders	1,207	(5,049)	(525)	(4,367)	(561)	(4,928)
Other						
Appropriation to statutory reserve fund (Note 29)	–	(213)	213	–	–	–
Total other	–	(213)	213	–	–	–
Closing balance at 31 December 2019	29,191	93,713	(7,815)	115,089	(312)	114,777

* Amount less than $1,000

STATEMENTS OF CHANGES IN EQUITY

Year Ended 31 December 2019

Group	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
	Attributable to equity holders of the Company					
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)	–	(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
Other comprehensive income/(loss)						
Change in fair value of equity instrument at fair value through other comprehensive income (Note 29)	–	–	(1,826)	(1,826)	–	(1,826)
Foreign currency translation (Note 29)	–	–	(1,347)	(1,347)	21	(1,326)
Defined benefit plan actuarial gain (Note 30)	–	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
Contributions by and distributions to equity holders						
Ordinary shares issued pursuant to performance share scheme (Note 28)	274	–	–	274	–	274
Dividends paid on ordinary shares (Note 33)	–	(4,989)	–	(4,989)	–	(4,989)
Total contributions by and distributions to equity holders	274	(4,989)	–	(4,715)	–	(4,715)
Changes in ownership interests in subsidiaries						
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)
Other						
Appropriation to statutory reserve fund (Note 29)	–	(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 2019

	Attributable to equity holders of the Company			
Company	**Share capital** $'000	**Retained earnings** $'000	**Other reserves** $'000	**Equity, total** $'000
Opening balance at 1 January 2019, as previously reported	27,984	34,892	(263)	62,613
Effect of adopting SFRS(I) 16 (Note 39)	–	(6)	–	(6)
Opening balance at 1 January 2019, as restated	27,984	34,886	(263)	62,607
Profit for the year	–	4,572	–	4,572
Other comprehensive loss				
Change in fair value of equity instrument at fair value through other comprehensive income (Note 29)	–	–	(1,233)	(1,233)
Other comprehensive loss for the year, net of tax	–	–	(1,233)	(1,233)
Total comprehensive income/(loss) for the year	–	4,572	(1,233)	3,339
Contributions by and distributions to equity holders				
Ordinary shares issued pursuant to acquisition of non-controlling interest in a subsidiary (Note 28)	917	–	–	917
Ordinary shares issued pursuant to performance share scheme (Note 28)	290	–	–	290
Dividends paid on ordinary shares (Note 33)	–	(5,049)	–	(5,049)
Total contributions by and distributions to equity holders	1,207	(5,049)	–	(3,842)
Total transactions with equity holders in their capacity as equity holders	1,207	(5,049)	–	(3,842)
Closing balance at 31 December 2019	29,191	34,409	(1,496)	62,104
Opening balance at 1 January 2018	27,710	31,993	1,563	61,266
Profit for the year	–	7,888	–	7,888
Other comprehensive loss				
Change in fair value of equity instrument at fair value through other comprehensive income (Note 29)	–	–	(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
Contributions by and distributions to equity holders				
Ordinary shares issued pursuant to performance share scheme (Note 28)	274	–	–	274
Dividends paid on ordinary shares (Note 33)	–	(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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2019

	Group	
	2019	**2018**
	$'000	$'000
Cash flows from operating activities		
Profit before tax	2,174	11,100
Adjustments for:		
Amortisation of intangible assets	268	195
Amortisation of land use rights	247	243
Bad trade debts written off	99	769
Depreciation of property, plant and equipment	3,988	3,233
Depreciation of right-of-use assets	3,891	–
Dividend income from equity instrument at fair value through other comprehensive income	(105)	(47)
Goodwill written off on acquisition of interest in an associate	55	–
Net (gain)/loss on disposal of property, plant and equipment	(19)	20
Net impairment loss on doubtful trade receivables	541	510
Performance share scheme expense	279	348
Property, plant and equipment written off	135	38
Interest income	(570)	(437)
Interest expense	1,506	801
Share of result of joint venture	(150)	16
Share of results of associates	(148)	(26)
Currency realignment	214	(680)
Operating cash flows before changes in working capital	12,405	16,083
(Increase)/decrease in:		
Inventories	1,687	(2,586)
Contract assets	5,889	(10,470)
Trade and other receivables	2,256	(15,615)
Other assets	(1,718)	(886)
Increase/(decrease) in:		
Contract liabilities	(912)	2,975
Trade and other payables	(8,541)	22,824
Other liabilities	1,398	(893)
Net cash flows from operations	12,464	11,432
Interest received	570	437
Interest paid	(1,212)	(801)
Income taxes paid	(3,480)	(2,194)
Net cash flows from operating activities	8,342	8,874
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,706)	(18,459)
Proceeds from disposal of property, plant and equipment	304	81
Acquisition of intangible assets	(804)	–
Acquisition of land use right	(1,287)	–
Acquisition of non-controlling interest of a subsidiary	(49)	–
Investment in joint venture	–	(246)
Dividend income from equity instrument at fair value through other comprehensive income	105	5
Dividend income from an associate	–	60
Net cash flows used in investing activities	(11,437)	(18,559)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2019

	Group	
	2019	**2018**
	$'000	$'000
Cash flows from financing activities		
Dividends paid on ordinary shares	(5,049)	(4,989)
Dividends paid to non-controlling interests of subsidiaries	(120)	(176)
Proceeds from draw down of loans and borrowings	13,060	31,301
Repayment of loans and borrowings	(15,379)	(9,616)
Repayment of finance lease liabilities	–	(1)
Repayment of lease liabilities	(3,633)	–
Decrease in deposits pledged for bank facilities	1,042	287
Net cash flows (used in)/from financing activities	(10,079)	16,806
Net (decrease)/increase in cash and cash equivalents	(13,174)	7,121
Effect of exchange rate changes on cash and cash equivalents	(747)	(686)
Cash and cash equivalents at beginning of year	77,508	71,073
Cash and cash equivalents at end of year (Note 27)	63,587	77,508

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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. 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 2019

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 or utilisation of the good.
- 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 2019

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 2019

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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 2019

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 2019

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 2019

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 rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less any accumulated amortisation and accumulated impairment losses. The land use rights are amortised on a straight-line basis over the lease terms of 30 to 50 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%
Experiential and themed attractions	–	14.29% – 16.67%
Machinery and equipment	–	10% – 50%
Office equipment, computers and software	–	10% – 33.33%
Motor vehicles	–	10% – 25%
Furniture and fittings	–	8% – 20%
Renovations	–	10% – 30%

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, plant and equipment (cont'd)

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

The Group assesses at contract inception whether a contract is, or contains, a lease i.e. if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

<u>Group as a lessee</u>

The Group recognises right-of-use assets representing the right to use the underlying assets and lease liabilities to make lease payments.

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date, and estimates of cost to dismantle and remove the underlying assets or to restore the underlying assets to the condition required by the terms and conditions of the leases or to restore the sites on which they are located, less any lease incentives received. The carrying amounts of right-to-use assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

Production, office, retail, storage and dormitory facilities	-	1 year to 6 years 5 months
Office equipment	-	3 years to 6 years 9 months
Motor vehicles	-	5 years to 7 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases (cont'd)

<u>Group as a lessee (cont'd)</u>

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the carrying amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured (with a corresponding adjustment to the carrying amount of right-of-use assets, or recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero) if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or a rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

<u>Group as a lessor</u>

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised in the period in which they are earned.

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 years to 6 years
Licences	-	1 year 7 months to 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Intangible assets (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets (cont'd)

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.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost 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).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of financial assets (cont'd)

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 bank overdrafts payable on demand and cash subject to restriction 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

<u>Income taxes</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

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.

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 cost 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

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 related party transactions include the following:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Joint venture				
Sales	2,530	–	–	–
Associates				
Sales	256	920	–	–
Purchases	4,976	5,406	10	–
Corporate fee income	280	300	280	300
Dividend income	–	60	–	60
Rental income	65	16	65	16
Related parties				
Sales	555	2,248	–	–
Purchases	361	379	15	27
Corporate fee income	226	226	226	226
Dividend income	105	47	105	47

Key management personnel compensation

	Group	
	2019	**2018**
	$'000	$'000
Salaries and other short-term employee benefits	7,960	9,132
Comprise amounts paid/payable to:		
- Directors of the Company	2,542	3,469
- Other key management personnel	5,418	5,663

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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, renamed as the Exhibitions, Thematic and Attractions 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 and operation of 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.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

5. SEGMENT INFORMATION (CONT'D)

Group	Exhibitions, Thematic and Attractions $'000	Retail and Corporate Interiors $'000	Research and Design $'000	Alternative Marketing $'000	Corporate and Others $'000	Eliminations $'000	Per Consolidated Financial Statements $'000
2019							
Revenue							
External customers	171,736	169,774	17,370	7,042	–		365,922
Inter-segment (Note A)	11,083	12,442	300	8,932	–	(32,757)	–
Total revenue	182,819	182,216	17,670	15,974	–	(32,757)	365,922
Results							
Interest income	133	308	31	8	90		570
Interest expense	(269)	(633)	(9)	(4)	(591)		(1,506)
Amortisation of intangible assets	(222)	(46)	–	–	–		(268)
Amortisation of land use rights	–	(4)	–	–	(243)		(247)
Bad trade debts recovered	50	6	–	–	–		56
Bad trade debts written off	(28)	(51)	(20)	–	–		(99)
Depreciation of property, plant and equipment	(1,187)	(1,278)	(208)	(21)	(1,294)		(3,988)
Depreciation of right-of-use assets	(1,557)	(1,223)	(439)	(16)	(656)		(3,891)
Dividend income from equity instrument at fair value through other comprehensive income	–	–	–	–	105		105
Goodwill written off on acquisition of interest in an associate	–	–	–	–	(55)		(55)
Net gain/(loss) on disposal of property, plant and equipment	2	18	–	(1)	–		19
Net (impairment loss)/ write-back of impairment loss on doubtful trade receivables	(513)	187	(18)	(197)	–		(541)
Performance share scheme expense	(181)	(59)	(29)	(10)	–		(279)
Property, plant and equipment written off	(95)	(2)	–	(4)	(34)		(135)
Share of result of joint venture	150	–	–	–	–		150
Share of results of associates	130	19	(1)	–	–		148
Segment profit/(loss)	2,659	(568)	1,604	333	(1,854)		2,174

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

5. SEGMENT INFORMATION (CONT'D)

Group	Exhibitions, Thematic and Attractions $'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

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 2019

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	
	2019	**2018**
	$'000	$'000
Revenue by geographical location are as follows:		
South Asia *	198,425	191,567
North Asia **	125,746	124,008
Middle East	8,475	11,161
United States and Canada	20,368	19,986
Europe	10,997	11,479
Others	1,911	2,727
	365,922	360,928

* Included revenue of $128,349,000 (2018: $124,401,000) for Singapore.

** Included revenue of $81,581,000 (2018: $78,101,000) for People's Republic of China.

Information about major customers

For the reporting years ended 31 December 2019 and 2018, 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	
	2019	**2018**
	$'000	$'000
Contract revenue	363,250	358,420
Sale of goods	2,186	1,475
Rental of equipment	486	1,033
	365,922	360,928

Majority of the revenue is recognised over time, and the balance at a point in time.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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, Thematic and Attractions		Retail and Corporate Interiors		Research and Design		Alternative Marketing		Total Revenue	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Group	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Geographical location										
South Asia	86,691	82,626	93,590	86,413	11,102	10,959	7,042	11,569	198,425	191,567
North Asia	60,711	54,289	60,502	65,330	4,533	4,389	–	–	125,746	124,008
Middle East	6,508	8,662	1,906	2,360	61	139	–	–	8,475	11,161
United States and Canada	7,426	4,528	12,641	15,093	301	365	–	–	20,368	19,986
Europe	9,877	9,609	114	868	1,006	1,002	–	–	10,997	11,479
Others	523	539	1,021	1,919	367	269	–	–	1,911	2,727
	171,736	160,253	169,774	171,983	17,370	17,123	7,042	11,569	365,922	360,928

7. INTEREST INCOME

	Group	
	2019	2018
	$'000	$'000
Interest income from debt instruments at amortised cost		
- Short-term deposits and bank balances	561	435
- Others	9	2
	570	437

8. OTHER INCOME

	Group	
	2019	2018
	$'000	$'000
Bad trade debts recovered	56	–
Corporate fee income	506	526
Dividend income from equity instrument at fair value through other comprehensive income	105	47
Net foreign exchange gain	–	1,037
Net gain on disposal of property, plant and equipment	19	–
Rental income	1,602	1,566
Service income	–	190
Write-back of impairment loss on doubtful trade receivables	202	230
Miscellaneous income	399	277
	2,889	3,873

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

9. EMPLOYEE BENEFITS EXPENSE

	Group	
	2019	**2018**
	$'000	$'000
Salaries, wages and bonuses	51,374	50,857
Contributions to defined contribution plans	4,576	4,361
Write-back of provision for unutilised leave	(1)	(37)
Directors' fees	576	598
Other employee benefits	2,030	1,903
	58,555	57,682

The Kingsmen Performance Share Scheme (the "KPSS") was approved and adopted for an initial duration of ten years by the members of the Company at an Extraordinary General Meeting of the Company held on 29 April 2009. The KPSS was extended for a further duration of ten years by the members of the Company at the Sixteenth Annual General Meeting of the Company held on 30 April 2019. 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.

Included in salaries, wages and bonuses is an amount of $185,000 (2018: $196,000) 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 2019, an aggregate of 537,570 (2018: 468,200) performance shares were awarded to employees of the Group at an average fair value of $0.540 (2018: $0.585) per share. This includes 264,700 (2018: 347,140) performance shares that were awarded to key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

10. OTHER EXPENSES

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

	Group 2019 $'000	Group 2018 $'000
Amortisation of intangible assets	91	195
Amortisation of land use right	243	243
Audit fees		
- Auditors of the Company	202	186
- Other auditors	157	157
Bad trade debts written off	99	769
Depreciation of right-of-use assets	2,790	–
Impairment loss on doubtful trade receivables	743	740
Goodwill written off on acquisition of interest in an associate	55	–
Net foreign exchange loss	412	–
Net loss on disposal of property, plant and equipment	–	20
Operating lease expenses	–	3,780
Property, plant and equipment written off	135	38
Selling and distribution expenses	2,007	1,097
Travelling and transport expenses	651	626
Upkeep and maintenance expenses	1,219	975
Utilities	766	599

11. INTEREST EXPENSE

	Group 2019 $'000	Group 2018 $'000
Interest expense on financial liabilities carried at amortised cost		
- Trust receipts, bank overdrafts and bank loans	1,203	799
- Finance lease liability	–	2
- Lease liabilities	303	–
	1,506	801

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

12. INCOME TAX EXPENSE

	Group 2019 $'000	Group 2018 $'000
Current tax expense		
Current year tax expense	3,102	3,878
Under provision in respect of prior year	8	71
	3,110	3,949
Deferred tax income		
Deferred tax income (Note 23)	(1,415)	(207)
	(1,415)	(207)
Income tax expense	1,695	3,742

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 2019 and 2018 is as follows:

	Group 2019 $'000	Group 2018 $'000
Profit before tax	2,174	11,100
(Less)/add: Share of result of joint venture	(150)	16
Less: Share of results of associates	(148)	(26)
	1,876	11,090
Tax at domestic tax rates applicable to profits in the countries where the Group operates *	994	3,179
Expenses not deductible for tax purposes	269	463
Benefits from previously unrecognised deferred tax assets	–	(185)
Tax exemptions and reliefs granted	(141)	(265)
Income not subjected to tax	(80)	(11)
Deferred tax assets not recognised	645	490
Under provision in respect of prior year	8	71
Income tax expense	1,695	3,742
Effective tax rate	90.4%	33.7%

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

13. EARNINGS PER SHARE

Basic earnings per share of the Group for the reporting year ended 31 December 2019 is calculated by dividing the Group's profit net of tax attributable to equity holders of the Company of $518,000 (2018: $8,154,000) by the weighted average number of ordinary shares outstanding during the reporting year of 201,527,600 (2018: 199,413,636) 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 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

14. LAND USE RIGHTS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Cost				
At 1 January	7,284	7,284	7,284	7,284
Addition	1,287	–	–	–
Foreign exchange adjustments	(1)	–	–	–
At 31 December	8,570	7,284	7,284	7,284
Accumulated amortisation				
At 1 January	789	546	789	546
Amortisation charge for the year	247	243	243	243
Foreign exchange adjustments	–*	–	–	–
At 31 December	1,036	789	1,032	789
Net carrying amount				
At 31 December	7,534	6,495	6,252	6,495
Amount to be amortised				
- Not later than one year	269	243	243	243
- Later than one year and not later than five years	1,074	971	971	971
- Later than five years	6,191	5,281	5,038	5,281
	7,534	6,495	6,252	6,495

* Amount less than $1,000

Amortisation expense is charged as follows:

	Group	
	2019	**2018**
	$'000	$'000
Cost of sales	4	–
Other expenses	243	243
Total	247	243

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 $6,252,000 (2018: $6,495,000) is pledged as securities for certain banking facilities granted (Note 31). The Group also has land use right over a plot of vacant land in the People's Republic of China where the Group intends to construct office, production and storage facilities. The land use rights are not transferable and have remaining tenures of 26 and 50 (2018: 27 and Nil) years for Singapore and the People's Republic of China respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

15. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land $'000	Buildings $'000	Experiential and themed attractions $'000	Machinery and equipment $'000	Office equipment, computers and software $'000	Motor vehicles $'000	Furniture and fittings $'000	Renovations $'000	Assets under construction $'000	Total $'000
Cost										
At 1 January 2018	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
Effect of adopting SFRS(I) 16	–	–	–	–	–	(102)	–	–	–	(102)
At 1 January 2019, as restated	6,897	31,108	–	14,044	6,314	1,335	715	9,368	–	69,781
Additions	–	101	–	1,262	641	144	102	620	6,461	9,331
Disposals/write-offs	–	–	–	(539)	(303)	(102)	(33)	(541)	–	(1,518)
Transferred from assets under construction	–	–	6,461	–	–	–	–	–	(6,461)	–
Foreign exchange adjustments	(18)	(24)	–	(17)	(27)	(7)	(1)	(5)	–	(99)
At 31 December 2019	6,879	31,185	6,461	14,750	6,625	1,370	783	9,442	–	77,495
Accumulated depreciation										
At 1 January 2018	–	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
Effect of adopting SFRS(I) 16	–	–	–	–	–	(5)	–	–	–	(5)
At 1 January 2019, as restated	–	1,098	–	11,019	4,684	825	345	3,327	–	21,298
Depreciation charge for the year	–	1,001	235	1,017	587	141	103	904	–	3,988
Disposals/write-offs	–	–	–	(283)	(251)	(93)	(17)	(454)	–	(1,098)
Foreign exchange adjustments	–	(2)	–	(12)	(24)	(6)	(1)	(5)	–	(50)
At 31 December 2019	–	2,097	235	11,741	4,996	867	430	3,772	–	24,138
Net carrying amount										
At 31 December 2018	6,897	30,010	–	3,025	1,630	607	370	6,041	–	48,580
At 1 January 2019, as restated	6,897	30,010	–	3,025	1,630	510	370	6,041	–	48,483
At 31 December 2019	6,879	29,088	6,226	3,009	1,629	503	353	5,670	–	53,357

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

Company	Building $'000	Office equipment, computers and software $'000	Motor vehicle $'000	Furniture and fittings $'000	Renovations $'000	Assets under construction $'000	Total $'000
Cost							
At 1 January 2018	–	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
Additions	101	65	–	40	22	–	228
Disposals/write-offs	–	(239)	–	(21)	(115)	–	(375)
At 31 December 2019	22,521	595	7	86	3,294	–	26,503
Accumulated depreciation							
At 1 January 2018	–	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
Depreciation charge for the year	828	106	–	14	331	–	1,279
Disposals/write-offs	–	(211)	–	(15)	(115)	–	(341)
At 31 December 2019	1,102	244	7	16	438	–	1,807
Net carrying amount							
At 31 December 2018	22,146	420	–	50	3,165	–	25,781
At 31 December 2019	21,419	351	–	70	2,856	–	24,696

Depreciation expense is charged as follows:

	Group 2019 $'000	Group 2018 $'000
Cost of sales	772	877
Other expenses	3,216	2,356
Total	3,988	3,233

During the reporting year ended 31 December 2019, the Group acquired property, plant and equipment with an aggregate fair value of $9,331,000 (2018: $18,490,000), of which $Nil (2018: $78,000) and $9,125,000 (2018: $17,272,000) were acquired by means of a finance lease and cash payments respectively. The balance of $206,000 (2018: $1,140,000) has not been paid and is recorded as part of accrued operating expenses under trade and other payables.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

Asset held under finance lease

As at 31 December 2018, the Group had a motor vehicle held under finance lease with a net carrying amount of $97,000 (Note 31). This motor vehicle was reclassified to right-of-use asset on 1 January 2019 arising from the adoption of SFRS(I) 16 Leases as disclosed in Note 39.

Assets pledged as securities

The Group's freehold land and buildings with an aggregate net carrying amount of $6,879,000 (2018: $6,897,000) and $29,088,000 (2018: $30,010,000) respectively are pledged as securities for certain banking facilities granted (Note 31).

16. INTANGIBLE ASSETS

Group	Goodwill $'000	Customer relationships $'000	Licences $'000	Total $'000
Cost				
At 1 January 2018	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
Additions	–	–	804	804
Foreign exchange adjustments	(37)	(13)	(28)	(78)
At 31 December 2019	8,154	2,177	2,138	12,469
Accumulated amortisation and impairment				
At 1 January 2018	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
Amortisation charge for the year	–	91	177	268
Foreign exchange adjustments	–	(13)	(5)	(18)
At 31 December 2019	1,000	2,177	277	3,454
Net carrying amount				
At 31 December 2018	7,191	91	1,257	8,539
At 31 December 2019	7,154	–	1,861	9,015

Amortisation expense is charged as follows:

	Group 2019 $'000	Group 2018 $'000
Cost of sales	177	–
Other expenses	91	195
Total	268	195

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

16. INTANGIBLE ASSETS (CONT'D)

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 relationships in relation to Kingsmen (North Asia) Limited and Kingsmen Middle East LLC were fully amortised in the reporting years ended 31 December 2012 and 2019 respectively.

The licences arose from the acquisition of the rights by Kingsmen Xperience, Inc. for its experiential and themed attractions business and are amortised over a period of between 1 year 7 months to 13 years.

Goodwill, customer relationships and licences 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	
	2019	**2018**
	$'000	$'000
Name of subsidiary		
- Kingsmen (North Asia) Limited	4,525	4,562
- Kingsmen Indochina Pte Ltd	689	689
- Kingsmen Middle East LLC	1,940	2,031
- Kingsmen Xperience, Inc.	1,861	1,257
Net carrying amount at end of the year	9,015	8,539

The goodwill, customer relationships and licences 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 licences 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 7.6% to 12.2% (2018: 11.8% to 23.4%) and 0.2% to 7.0% (2018: 2.9% to 7.3%) 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 2019, no impairment loss (2018: $Nil) was recognised to write down the carrying amount of goodwill, customer relationships and licences attributable to the subsidiaries as the values in use were estimated to be higher than the respective carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

17. INVESTMENTS IN SUBSIDIARIES

	Company 2019 $'000	Company 2018 $'000
Unquoted equity shares		
Balance at beginning of the year	31,369	28,265
Additions	917	3,104
Balance at end of the year	32,286	31,369
Impairment loss	(550)	(550)
Carrying amount of investments	31,736	30,819

No impairment loss (2018: $Nil) was recognised for the reporting year ended 31 December 2019 as the recoverable amounts are in excess of or approximate 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 2019** %	**2018** %
Held by the Company		
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
Kingsmen Projects Pte Ltd Singapore Design and production of architectural interiors, decorations and museums (RSM Chio Lim LLP)	100.00	100.00
Kingsmen Design Pte Ltd Singapore Design consultancy and planning management (RSM Chio Lim LLP)	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
Hi-Light Electrical Pte Ltd Singapore Electrical engineering (RSM Chio Lim LLP)	80.00	80.00

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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** **2019** %	 **2018** %
Held by the Company (cont'd)		
Kingsmen Indochina Pte Ltd [(a)] Singapore Investment holding (RSM Chio Lim LLP)	100.00	90.00
Thinkfarm Pte Ltd Singapore Custom publishing, media sales and events marketing (RSM Chio Lim LLP)	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
Kingsmen (North Asia) Limited Hong Kong Investment holding and provision of corporate marketing and other related services (RSM Hong Kong)	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
Kingsmen Middle East LLC [(b)] United Arab Emirates Design and production of interiors, exhibitions, decorations and museums (Puthran Chartered Accountants)	55.51	55.51
Held through Kingsmen Exhibits Pte Ltd		
Kingsmen Environmental Graphics Pte Ltd Singapore Graphic design and production (RSM Chio Lim LLP)	100.00	100.00

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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** **2019** %	 **2018** %
Held through Kingsmen Projects Pte Ltd		
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 (CH & Associates)	100.00	100.00
K-Fix (Kunshan) Co Ltd. [c] 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
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
Held through K-Fix Holdings Pte Ltd		
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
Held through Kingsmen Ooh-media Pte Ltd		
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
Held through Kingsmen Indochina Pte Ltd		
Kingsmen Vietnam Co., Ltd [a] Vietnam Design and production of interiors, exhibitions, decorations and museums (PwC (Vietnam) Limited)	100.00	90.00

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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** **2019** %	 **2018** %
Held through Kingsmen Ventures Pte Ltd		
NAX Company Pte Ltd Singapore Investment holding (RSM Chio Lim LLP)	100.00	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
Held through NAX Company Pte Ltd		
NAX Singapore Pte Ltd Singapore Development, ownership and marketing of intellectual property for experiential and themed attractions (RSM Chio Lim LLP)	100.00	100.00
Held through Kingsmen Xperience, Inc.		
NAX USA, LLC 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	–
Held through Kingsmen Sdn Bhd		
Kingsmen Projects Sdn Bhd Malaysia Design and production of interiors, exhibitions, decorations and museums (RSM Malaysia)	71.00	71.00
Kingsmen Exhibits Sdn Bhd Malaysia Design and production of interiors, exhibitions, decorations and museums (RSM Malaysia)	71.00	71.00
Held through Kingsmen (North Asia) Limited		
Kingsmen Hong Kong Limited Hong Kong Design and production of interiors, exhibitions, decorations and museums (RSM Hong Kong)	96.00	96.00

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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** **2019** %	 **2018** %
<u>Held through Kingsmen (North Asia) Limited (cont'd)</u> Kingsmen Beijing Co., Limited [d] 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
Kingsmen Shanghai Co., Limited [d] 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
Kingsmen Taiwan International Co. Limited [d] [e] Taiwan Design and production of interiors, exhibitions, decorations and museums (Ecovis Taiwan)	100.00	93.00
Kingsmen Macau Limited [d] 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
<u>Held through Kingsmen Hong Kong Limited</u> Kingsmen (Shenzhen) Co Ltd. [d] People's Republic of China Design and production of interiors, exhibitions, decorations and museums (Shenzhen Tongde Certified Public Accountants)	96.00	96.00

(a) Pursuant to the acquisition of a 10% equity interest in Kingsmen Indochina Pte Ltd by the Company in February 2019, the Group's effective equity interest in Kingsmen Indochina Pte Ltd increased to 100% (2018: 90%). Correspondingly, the Group's effective equity interest in Kingsmen Vietnam Co., Ltd, a wholly-owned subsidiary of Kingsmen Indochina Pte Ltd, also increased to 100% (2018: 90%).

(b) 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.

(c) The Group holds an effective equity interest of 100% (2018: 100%) in K-Fix (Kunshan) Co Ltd., of which 70% (2018: 70%) is held through Kingsmen Projects Pte Ltd and 30% (2018: 30%) is held through Kingsmen (North Asia) Limited.

(d) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(e) Pursuant to the acquisition of a 7% equity interest in Kingsmen Taiwan International Co. Limited by the Group's wholly-owned subsidiary, Kingsmen (North Asia) Limited, in December 2019, the Group's effective equity interest in Kingsmen Taiwan International Co. Limited increased to 100% (2018: 93%).

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

Acquisition of non-controlling interest of subsidiaries without a change in control

Kingsmen Indochina Pte Ltd

In February 2019, the Company acquired an additional 10% equity interest in Kingsmen Indochina Pte Ltd from its non-controlling interest for a consideration of $917,000, of which it was satisfied by the issuance of new shares in the capital of the Company. As a result of this acquisition, the Group's effective equity interest in Kingsmen Indochina Pte Ltd and its wholly-owned subsidiary, Kingsmen Vietnam Co., Ltd, increased from 90% to 100%.

The carrying amount of the net assets of Kingsmen Indochina Pte Ltd and its subsidiary at the date of acquisition was $3,865,000 and the carrying amount of the additional interest acquired was $387,000. The difference of $530,000 between the consideration and the carrying amount of the additional interest acquired has been recognised as "premium paid on acquisition of non-controlling interests" within equity.

Kingsmen Taiwan International Co. Limited

In December 2019, the Group's wholly-owned subsidiary, Kingsmen (North Asia) Limited, acquired an additional 7% equity interest in Kingsmen Taiwan International Co. Limited from its non-controlling interest for a cash consideration of $49,000. As a result of this acquisition, the Group's effective equity interest in Kingsmen Taiwan International Co. Limited increased from 93% to 100%.

The carrying amount of the net assets of Kingsmen Taiwan International Co. Limited at the date of acquisition was $778,000 and the carrying amount of the additional interest acquired was $54,000. The difference of $5,000 between the consideration and the carrying amount of the additional interest acquired has been recognised as "bargain received on acquisition of non-controlling interests" within equity.

The following summarises the effect of the change in the Group's ownership interest in Kingsmen Indochina Pte Ltd ("KIC") and Kingsmen Taiwan International Co. Limited ("KTW") on the equity attributable to owners of the Company:

		Group 2019	
	KIC	**KTW**	**Total**
	$'000	$'000	$'000
Ordinary shares issued pursuant to acquisition of non-controlling interest in a subsidiary	917	–	917
Cash consideration paid for acquisition of non-controlling interest of a subsidiary	–	49	49
Total consideration made for acquisition of non-controlling interest of subsidiaries	917	49	966
Decrease in equity attributable to non-controlling interest of subsidiaries	(387)	(54)	(441)
Decrease/(increase) in equity attributable to owners of the Company	530	(5)	525

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

18. INVESTMENT IN JOINT VENTURE

	Group	
	2019	**2018**
	$'000	$'000
Unquoted equity shares, at cost		
Balance at beginning of the year	246	–
Addition	–	246
Balance at end of the year	246	246
Share of post acquisition reserves		
Balance at beginning of the year	(16)	–
Share of profit/(loss) for the year	150	(16)
Balance at end of the year	134	(16)
Foreign exchange adjustments	1	2
Carrying amount of investment	381	232

No impairment loss (2018: $Nil) was recognised for the reporting year ended 31 December 2019 as the recoverable amount is in excess of 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**	
	2019	**2018**
	%	%
Held through Kingsmen Exhibits Pte Ltd		
Kingsmen-Nassal Kabushiki Kaisha	50.00	50.00
Japan		
Design, manufacture and build of themed attractions and lifestyle parks		
(Not required to be audited by the law of its country of incorporation)		

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:

	2019	**2018**
	$'000	$'000
Current assets	7,690	654
Non-current assets	5	–
Current liabilities	(6,934)	(190)
Non-current liabilities	–	–
Revenue	12,469	–
Profit/(loss) for the reporting year	300	(32)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

19. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Unquoted equity shares, at cost				
Balance at beginning and end of the year	3,537	3,537	3,430	3,430
Share of post acquisition reserves				
Balance at beginning of the year	2,741	2,775	–	–
Share of profit for the year	148	26	–	–
Dividend income	–	(60)	–	–
Goodwill written off on acquisition of interest	(55)	–	–	–
Balance at end of the year	2,834	2,741	–	–
Foreign exchange adjustments	(244)	(116)	–	–
Carrying amount of investments	6,127	6,162	3,430	3,430

No impairment loss (2018: $Nil) was recognised for the reporting year ended 31 December 2019 as the recoverable amounts are in excess of the carrying amounts.

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**	
	2019	**2018**
	%	%
Held by the Company		
Ascend Com Pte. Ltd. Singapore Renting and selling audio-visual, computer and peripheral equipment (Plus LLP)	40.00	40.00
Kingsmen Korea Limited Korea Design and production of architectural interiors, decorations and museums (SEOU Accounting Corporation)	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
Enterprise Sports Group Pte Ltd Singapore Sports event marketing, public relations and organising (Fong S F & Associates)	30.00	30.00

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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** **2019** %	 **2018** %
Held through Ascend Com Pte. Ltd. Crescendo Media Pte Ltd Singapore Media production and event planning (Plus LLP)	16.00	16.00
Ascend Com Sdn Bhd Malaysia Provision of information technology products and services (L & Co. PLT)	16.00	16.00
Held through Kingsmen Korea Limited 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
Held through Kingsmen Nikko Limited 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
Held through Kingsmen Project Japan Limited 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
Held through Enterprise Sports Group Pte Ltd Enterprise Sports Singapore Pte Ltd [a] Singapore Sports event marketing (Fong S F & Associates)	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)	28.50	24.00

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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** **2019** %	 **2018** %
Held through Kingsmen Sdn Bhd		
Kingsmen KEG Sdn Bhd Malaysia Design and production of interiors, exhibitions, decorations and museums (RSM Malaysia)	28.40	28.40
Held through Kingsmen KEG Sdn Bhd		
KEG Production Sdn Bhd Malaysia Manufacturer, wholesaler and trader of interior and exhibition furniture, fixtures and displays (RSM Malaysia)	17.04	17.04

(a) In process of being struck off.

(b) Pursuant to the acquisition of a 15% equity interest in Little Swim School Pte Ltd by the Group's 30% owned associate, Enterprise Sports Group Pte Ltd, in January 2019, the Group's effective equity interest in Little Swim School Pte Ltd increased to 28.50% (2018: 24.00%).

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:

	2019 $'000	**2018** $'000
Current assets	34,151	38,800
Non-current assets	5,822	7,937
Current liabilities	21,686	27,953
Non-current liabilities	1,153	960
Revenue	64,700	81,335
Loss for the reporting year	(462)	(82)

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 2019, the Group's cumulative share of the unrecognised losses was $350,000 (2018: $117,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

19. INVESTMENTS IN ASSOCIATES (CONT'D)

Acquisition of interest in an associate

In January 2019, the Group's 30% owned associate, Enterprise Sports Group Pte Ltd, acquired an additional 15% equity interest in Little Swim School Pte Ltd. As a result of this acquisition, the Group's effective equity interest in Little Swim School Pte Ltd increased from 24.00% to 28.50%. The above resulted in the recognition of a loss recorded under other expenses as follows:

	Group 2019 $'000
Share of net assets arising from acquisition of interest	639
Less: Carrying amount of interest acquired	(694)
Goodwill written off on acquisition of interest in an associate	(55)

20. OTHER INVESTMENTS

	Group and Company	
	2019 $'000	2018 $'000
Equity instruments at fair value through other comprehensive income		
- Quoted equity shares	1,258	2,491
- Unquoted equity shares	38	38
	1,296	2,529

The fair value (Level 1) of the Group's investment in quoted equity shares was determined to be $1,258,000 (2018: $2,491,000) based on the quoted market price at the end of the reporting year. Hence, the Group recognised a change in fair value of $1,233,000 (2018: $1,826,000) in other comprehensive income for the reporting year ended 31 December 2019.

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 (2018: $38,000) is not material to the Group and the Group does not intend to dispose of this investment in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Current				
Trade receivables				
Non-related parties	90,202	93,482	–	–
Less: Impairment loss	(2,038)	(1,832)	–	–
Subsidiaries	–	–	956	1,034
Joint venture	425	–	–	–
Associates	808	2,079	93	82
Related parties	921	2,349	182	184
Sub-total	90,318	96,078	1,231	1,300
Other receivables				
Other receivables	9,897	7,773	163	348
Subsidiaries	–	–	3,248	1,490
Loan receivable from subsidiaries	–	–	3,069	3,099
Joint venture	62	94	–	–
Associates	48	124	48	25
Loan receivable from associates	2,210	1,974	–	–
Staff advances and loans	879	465	–	–
Deposits	2,572	2,240	53	40
Sub-total	15,668	12,670	6,581	5,002
Current, total	105,986	108,748	7,812	6,302
Non-current				
Other receivables				
Other receivables	–	134	–	–
Non-current, total	–	134	–	–
Current and non-current, total	105,986	108,882	7,812	6,302

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
At beginning of the year	1,832	1,460	–	–
Impairment loss for the year	743	740	–	–
Write-back of impairment loss	(202)	(230)	–	–
Write-off against impairment loss	(324)	(140)	–	–
Foreign exchange adjustments	(11)	2	–	–
At end of the year	2,038	1,832	–	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

21. TRADE AND OTHER RECEIVABLES (CONT'D)

Except for an amount of $775,000 (2018: $775,000) under loan receivable from subsidiaries and an amount of $489,000 (2018: $8,000) under staff loans, the remaining current trade and other receivables are unsecured, non-interest bearing, repayable within the next twelve months and to be settled in cash. The amount of $775,000 (2018: $775,000) under loan receivable from subsidiaries and the amount of $489,000 (2018: $8,000) under staff loans are unsecured, bear interest at 6.00% (2018: 6.00%) and 3.00% to 4.50% (2018: 3.00%) per annum respectively, repayable within the next twelve months and to be settled 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.

22. RIGHT-OF-USE ASSETS

As at 31 December 2019, the Group has leases, in which it is the lessee, for production, office, retail, storage and/or dormitory facilities ("Premises"), office equipment and motor vehicles. As disclosed in Note 39, pursuant to the adoption of SFRS(I) 16 Leases on 1 January 2019, the distinction between operating and finance leases is removed and an asset representing the right to use the underlying asset during the lease term (i.e. right-of-use asset) and a liability to make a lease payment (i.e. lease liability) are recognised. These leases, of which some are cancellable, have lease terms of between 1 to 7 years. Some of these leases have renewal options, escalation clauses and/or purchase options 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.

The carrying amounts of the right-of-use assets recognised and the movements during the reporting year ended 31 December 2019 are as follows:

Group	Premises $'000	Office equipment $'000	Motor vehicles $'000	Total $'000
Cost				
At 1 January 2019	10,382	272	102	10,756
Additions	2,274	40	50	2,364
Foreign exchange adjustments	(67)	(1)	–*	(68)
At 31 December 2019	12,589	311	152	13,052
Accumulated depreciation				
At 1 January 2019	–	–	5	5
Depreciation charge for the year	3,792	73	26	3,891
Foreign exchange adjustments	(30)	(1)	–*	(31)
At 31 December 2019	3,762	72	31	3,865
Net carrying amount				
At 31 December 2019	8,827	239	121	9,187

* Amount less than $1,000

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

22. RIGHT-OF-USE ASSETS (CONT'D)

Company	Premises $'000	Office equipment $'000	Total $'000
Cost			
At 1 January 2019	630	10	640
Additions	–	–	–
At 31 December 2019	630	10	640
Accumulated depreciation			
At 1 January 2019	–	–	–
Depreciation charge for the year	630	5	635
At 31 December 2019	630	5	635
Net carrying amount			
At 31 December 2019	–	5	5

Depreciation expense is charged as follows:

	Group 2019 $'000
Cost of sales	1,101
Other expenses	2,790
Total	3,891

23. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

Group	Consolidated Statement of Financial Position 2019 $'000	Consolidated Statement of Financial Position 2018 $'000	Consolidated Statement of Profit or Loss and Other Comprehensive Income 2019 $'000	Consolidated Statement of Profit or Loss and Other Comprehensive Income 2018 $'000
Deferred tax assets				
Differences in depreciation for tax purposes	22	2	20	5
Provisions	130	128	2	24
Unutilised tax losses	1,891	368	1,523	158
Others	225	224	1	(6)
	2,268	722		
Deferred tax liabilities				
Differences in depreciation for tax purposes	(479)	(355)	(124)	(35)
Provisions	111	117	(6)	30
Others	(152)	(139)	(13)	24
	(520)	(377)		
Foreign exchange adjustments			12	7
Deferred tax income (Note 12)			1,415	207

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

23. DEFERRED TAX (CONT'D)

Company	Statement of Financial Position 2019 $'000	2018 $'000
Deferred tax liabilities		
Differences in depreciation for tax purposes	(53)	(83)
Provisions	12	11
Unutilised tax losses	–	16
	(41)	(56)

Unabsorbed tax losses and unutilised capital allowances

As at 31 December 2019, the Group has unabsorbed tax losses and unutilised capital allowances totalling $4,561,000 (2018: $2,344,000) 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 $1,887,000 and $2,217,000 (2018: $1,887,000) which expire in the reporting years ending 31 December 2025 and 2026 (2018: 31 December 2025) 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 $1,541,000 (2018: $1,578,000) 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 2019 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 $Nil (2018: $3,021,000) proposed by the Company but not recognised as a liability in the financial statements as at the end of the reporting year (Note 33).

24. INVENTORIES

	Group 2019 $'000	2018 $'000
Merchandises	560	–
Project materials	1,922	4,169
	2,482	4,169

Merchandises and project materials recognised as cost of sales during the reporting year amounted to $5,623,000 (2018: $2,961,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

25. CONTRACT ASSETS AND CONTRACT LIABILITIES

Information about contract assets and contract liabilities from contracts with customers is as follows:

	Group	
	2019	**2018**
	$'000	$'000
Contract assets	20,035	25,924
Contract liabilities	9,393	10,305

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:

	Group	
	2019	**2018**
	$'000	$'000
Contract assets reclassified to trade receivables	22,491	12,353
Revenue recognised that was included in contract liabilities balance at beginning of the year	8,200	7,256

The aggregate amount of the transaction price allocated to the unsatisfied performance obligations as of 31 December 2019 is $63,027,000 (2018: $37,316,000), of which 55% (2018: 60%) amounting to $34,788,000 (2018: $22,442,000) may be recognised as revenue during the next reporting year ending 31 December 2020. Of the remaining 45% (2018: 40%), $22,295,000 (2018: $7,437,000) and $5,944,000 (2018: $7,437,000) may be recognised as revenue during the reporting years ending 31 December 2021 and 2022 (2018: 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

26. OTHER ASSETS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Income tax recoverable	63	56	–	–
Prepayments	3,624	1,906	42	102
	3,687	1,962	42	102

27. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Cash at banks and in hand	50,416	59,170	2,155	2,973
Short-term deposits	14,587	20,587	4,773	7,590
Cash and cash equivalents in statement of financial position	65,003	79,757	6,928	10,563
Bank overdrafts	(209)	–	–	–
Deposits pledged for bank facilities	(1,207)	(2,249)	(234)	(1,085)
Cash and cash equivalents for statement of cash flows	63,587	77,508	6,694	9,478

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 (2018: 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% (2018: 0.15% to 7.25%) and 0.25% to 1.80% (2018: 0.25% to 1.25%) per annum for the Group and the Company respectively during the reporting year.

As at 31 December 2019, short-term deposits of $1,207,000 (2018: $2,249,000) and $234,000 (2018: $1,085,000) of the Group and the Company have been pledged to banks for banking facilities granted respectively.

28. SHARE CAPITAL

	Group and Company	
	Number of ordinary shares issued	**Share capital**
		$'000
At 1 January 2018	199,107,061	27,710
Issued pursuant to performance share scheme	468,200	274
At 31 December 2018	199,575,261	27,984
Issued pursuant to acquisition of non-controlling interest in a subsidiary	1,835,468	917
Issued pursuant to performance share scheme	537,570	290
At 31 December 2019	201,948,299	29,191

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

31 December 2019

28. 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.

29. OTHER RESERVES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Fair value reserve	(3,382)	(2,149)	(3,382)	(2,149)
Foreign currency translation reserve	(3,465)	(2,588)	–	–
Statutory reserve fund	1,498	1,285	–	–
Gain on reissuance of treasury shares	1,886	1,886	1,886	1,886
Premium paid on acquisition of non-controlling interests	(4,352)	(3,827)	–	–
	(7,815)	(5,393)	(1,496)	(263)

Fair value reserve

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
At beginning of the year	(2,149)	(323)	(2,149)	(323)
Change in fair value of equity instrument at fair value through other comprehensive income	(1,233)	(1,826)	(1,233)	(1,826)
At end of the year	(3,382)	(2,149)	(3,382)	(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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

29. OTHER RESERVES (CONT'D)

Foreign currency translation reserve

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
At beginning of the year	(2,588)	(1,241)	–	–
Exchange differences on translating foreign operations	(877)	(1,347)	–	–
At end of the year	(3,465)	(2,588)	–	–

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.

Statutory reserve fund

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
At beginning of the year	1,285	1,037	–	–
Appropriation from retained earnings	213	248	–	–
At end of the year	1,498	1,285	–	–

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	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'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	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
At beginning of the year	(3,827)	(3,827)	–	–
Acquisition of non-controlling interest of subsidiaries without a change in control	(525)	–	–	–
At end of the year	(4,352)	(3,827)	–	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

30. TRADE AND OTHER PAYABLES

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Current				
Trade payables				
Non-related parties	81,880	87,023	–	–
Associates	1,703	1,988	–	–
Related parties	12	99	–	–
Accrued project costs	7,039	7,118	–	–
Sub-total	90,634	96,228	–	–
Other payables				
Other payables	6,093	8,747	236	543
Subsidiaries	–	–	106	542
Associates	9	71	9	71
Provision for unutilised leave	958	955	68	67
Accrued operating expenses	12,747	13,283	832	2,308
Deposits	261	358	129	156
Sub-total	20,068	23,414	1,380	3,687
Current, total	110,702	119,642	1,380	3,687
Non-current				
Other payables				
Post-employment benefits	1,171	1,147	–	–
Non-current, total	1,171	1,147	–	–
Current and non-current, total	111,873	120,789	1,380	3,687

The current trade and other payables are unsecured, non-interest bearing, repayable within the next twelve months and to be settled 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 $326,000 (2018: $296,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

30. 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:

	Group	
	2019	**2018**
	$'000	$'000
At beginning of the year	296	317
Current service cost	21	20
Past service cost of curtailment/settlement	2	–
Interest expense	15	12
Defined benefit plan actuarial gain	(2)	(34)
Actual post employment payment	(13)	(8)
Effect of deferred tax	–*	(8)
Foreign currency adjustments	7	(3)
At end of the year	326	296

* Amount less than $1,000

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

	Group	
	2019	**2018**
Discount rate	8.0%	8.5%
Estimated future salary increase	5.0%	5.0%
Normal retirement age	55 years	55 years

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

31. OTHER FINANCIAL LIABILITIES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Current				
Bank overdrafts	209	–	–	–
Trust receipts	2,077	1,302	–	–
SGD term loan at SIBOR + 1.28% p.a.	1,174	1,240	1,174	1,240
SGD term loan (A) at SOR + 1.25% p.a.	534	800	–	–
SGD term loans (B) at SOR + 1.25% p.a.	4,500	4,000	–	–
MYR term loan at 6.25% p.a.	666	596	–	–
MYR term loan at BLR - 2% p.a.	1,250	1,303	–	–
MYR term loan at KLIBOR + 1.46% p.a.	690	857	–	–
MYR term loan at BECOF + 1.5% p.a.	58	46	–	–
VND term loans at BLR + 2% p.a.	2,139	3,016	–	–
Finance lease liability	–	5	–	–
Lease liabilities	2,579	–	5	–
Current, total	15,876	13,165	1,179	1,240
Non-current				
SGD term loan at SIBOR + 1.28% p.a.	17,374	18,425	17,374	18,425
SGD term loan (A) at SOR + 1.25% p.a.	–	534	–	–
MYR term loan at 6.25% p.a.	1,529	2,232	–	–
MYR term loan at BECOF + 1.5% p.a.	1,174	1,247	–	–
Finance lease liability	–	72	–	–
Lease liabilities	7,305	–	1	–
Non-current, total	27,382	22,510	17,375	18,425
Current and non-current, total	43,258	35,675	18,554	19,665

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

31. OTHER FINANCIAL LIABILITIES (CONT'D)

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

	Group 2019	Group 2018	Company 2019	Company 2018
Bank overdrafts	5.86% to 8.57%	–	–	–
Trust receipts	8.14% to 8.57%	8.29% to 8.57%	–	–
SGD term loan at SIBOR + 1.28% p.a.	2.94% to 3.29%	2.64% to 3.15%	2.94% to 3.29%	2.64% to 3.15%
SGD term loan (A) at SOR + 1.25% p.a.	2.27% to 3.02%	2.12% to 2.81%	–	–
SGD term loans (B) at SOR + 1.25% p.a.	2.82% to 3.24%	2.55% to 3.24%	–	–
MYR term loan at BLR - 2% p.a.	4.89% to 5.14%	5.04%	–	–
MYR term loan at KLIBOR + 1.46% p.a.	4.77% to 5.19%	4.24% to 4.81%	–	–
MYR term loan at BECOF + 1.5% p.a.	4.85% to 5.12%	4.87% to 5.11%	–	–
VND term loans at BLR + 2% p.a.	5.69% to 7.38%	5.20%	–	–

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

	Group 2019	Group 2018	Company 2019	Company 2018
MYR term loan at 6.25% p.a.	6.25%	6.25%	–	–
Finance lease liability	–	6.56%	–	–
Lease liabilities	2.63% to 8.50%	–	3.04%	–

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 $1,559,000 (2018: $2,237,000) which is estimated by discounting expected future cash flows at market incremental lending rate for similar types of arrangements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

31. OTHER FINANCIAL LIABILITIES (CONT'D)

The details of the loans and borrowings are as follows:

Bank overdrafts

The bank overdrafts are denominated in Emirati Dirham ("AED") and Malaysian Ringgit ("MYR"), bear interest at Emirates interbank offer rate ("EIBOR") + 4.00% (2018: Nil%) and bank lending rate ("BLR") + 1.5% (2018: Nil%) per annum respectively and are fully repayable on demand. The bank overdraft in AED is secured by a corporate guarantee given by the Company and a personal guarantee given by a director of a subsidiary, Kingsmen Middle East LLC. The bank overdraft in MYR is secured by corporate guarantees given by the Company and a subsidiary, Kingsmen Sdn Bhd, personal guarantees given by certain directors of a subsidiary, Kingsmen Exhibits Sdn Bhd and short-term deposits of $234,000 (2018: $Nil).

Trust receipts

The trust receipts are denominated in MYR, bear interest at BLR + 1.25% to 1.50% (2018: BLR + 1.25% to 1.50%) per annum and are fully repayable within the next twelve months. The trust receipts are secured by a mortgage over freehold land and buildings with an aggregate net carrying amount of $3,278,000 (2018: $3,325,000), 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.

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% (2018: SIBOR + 1.28%) per annum and is fully repayable by 2032. The loan is secured by a mortgage over land use right and building with an aggregate net carrying amount of $27,671,000 (2018: $28,641,000) 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% (2018: 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% (2018: SOR + 1.25%) per annum and are fully repayable in 2020. 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% (2018: 6.25%) per annum and is fully repayable by 2023. The loan is secured by a mortgage over freehold land and building with an aggregate net carrying amount of $11,270,000 (2018: $11,436,000), a corporate guarantee given by the Company and short-term deposits of $222,000 (2018: $197,000).

NOTES TO THE FINANCIAL STATEMENTS
31 December 2019

31. OTHER FINANCIAL LIABILITIES (CONT'D)

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% (2018: BLR - 2%) per annum and is fully repayable on demand. The loan is secured by a mortgage over freehold land and building with an aggregate net carrying amount of $1,624,000 (2018: $1,648,000), 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 KLIBOR + 1.46% p.a.

The MYR term loan at KLIBOR + 1.46% p.a. is denominated in MYR, bears interest at Kuala Lumpur interbank offer rate ("KLIBOR") + 1.46% (2018: bank effective cost of funds ("BECOF") + 1%) per annum and is fully repayable in 2020. The loan is secured by a mortgage over freehold land and building with an aggregate net carrying amount of $11,270,000 (2018: $11,436,000), a corporate guarantee given by the Company and short-term deposits of $222,000 (2018: $197,000).

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% (2018: BECOF + 1.5%) per annum and is fully repayable by 2031. The loan is secured by a mortgage over freehold land and building with an aggregate net carrying amount of $1,654,000 (2018: $1,677,000), 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% (2018: BLR + 2%) per annum and are fully repayable in 2020. The loans are secured by corporate guarantees given by the Company.

Finance lease liability

As at 31 December 2018, the Group had a finance lease for a motor vehicle. This finance lease was reclassified to lease liability on 1 January 2019 arising from the adoption of SFRS(I) 16 Leases as disclosed in Note 39. There were no restrictions placed upon the Group by entering into the lease. The lease period was 36 months and the amount of finance lease liability was fully repayable by 2021. The average effective interest rate implicit in the lease was 6.56% per annum. The outstanding amount of finance lease liability was secured by way of a legal mortgage on the underlying lease asset (Note 15).

The future minimum lease payments under the finance lease together with the present value of the net minimum lease payments at the end of the reporting year ended 31 December 2018 were as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

31. OTHER FINANCIAL LIABILITIES (CONT'D)

Lease liabilities

As at 31 December 2019, the Group has leases, in which it is the lessee, for production, office, retail, storage and/or dormitory facilities, office equipment and motor vehicles. As disclosed in Note 39, pursuant to the adoption of SFRS(I) 16 Leases on 1 January 2019, the distinction between operating and finance leases is removed and an asset representing the right to use the underlying asset during the lease term (i.e. right-of-use asset) and a liability to make a lease payment (i.e. lease liability) are recognised. These leases, of which some are cancellable, have lease terms of between 1 to 7 years. Some of these leases have renewal options, escalation clauses and/or purchase options 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. The Group's obligations to the lease payments for the motor vehicles are secured by way of legal mortgages on the underlying lease assets with an aggregate net carrying amount of $121,000 (Note 22).

The maturity analysis of the lease payments (fixed portion) at the end of the reporting year ended 31 December 2019 is as follows:

	Group 2019 $'000	**Company 2019** $'000
Maturity analysis		
Year 1	2,866	5
Year 2 to 5	6,677	1
Year 6 and onward	1,123	–
	10,666	6
Less: Finance charges	(782)	–*
	9,884	6

* Amount less than $1,000

	Group 2019 $'000	**Company 2019** $'000
Analysed as		
Current	2,579	5
Non-current	7,305	1
	9,884	6

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

31. OTHER FINANCIAL LIABILITIES (CONT'D)

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

	Group								
					Non-cash changes				
	2018	Adoption of SFRS(I) 16	1 January 2019	Cash flows	Acquisitions	Interest expense	Foreign exchange movements	Others	2019
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Loans and borrowings									
- current	13,160	–	13,160	(2,319)	–	–	(42)	2,289	13,088
- non-current	22,438	–	22,438	–	–	–	(72)	(2,289)	20,077
Finance lease liability									
- current	5	(5)	–	–	–	–	–	–	–
- non-current	72	(72)	–	–	–	–	–	–	–
Lease liabilities									
- current	–	2,536	2,536	(3,633)	1,309	294	(11)	2,084	2,579
- non-current	–	8,371	8,371	–	1,054	–	(36)	(2,084)	7,305
	35,675	10,830	46,505	(5,952)	2,363	294	(161)	–	43,049

			Non-cash changes			
	2017	Cash flows	Acquisition	Foreign exchange movements	Others	2018
	$'000	$'000	$'000	$'000	$'000	$'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 liability						
- current	–	(1)	6	–	–	5
- non-current	–	–	72	–	–	72
	13,933	21,684	78	(20)	–	35,675

The "others" column relates to reclassification of non-current portion of loans and borrowings and/or lease liabilities due to passage of time.

32. OTHER LIABILITIES

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Deferred income	2,872	1,474	37	–
Provision for performance share scheme	185	196	–	–
	3,057	1,670	37	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

33. DIVIDENDS

	Group and Company	
	2019	**2018**
	$'000	$'000
Declared and paid during the year		
Dividends on ordinary shares		
- Final tax exempt one-tier dividend for 2018: $0.015 (2017: $0.015) per ordinary share	3,029	2,994
- Interim tax exempt one-tier dividend for 2019: $0.010 (2018: $0.010) per ordinary share	2,020	1,995
	5,049	4,989
Proposed but not recognised as a liability as at 31 December		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting		
- Final tax exempt one-tier dividend for 2019: $Nil (2018: $0.015) per ordinary share	–	3,021

34. 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	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Financial assets				
Debt instruments at amortised cost				
- Trade and other receivables	105,986	108,882	7,812	6,302
- Cash and cash equivalents	65,003	79,757	6,928	10,563
Equity instruments at fair value through other comprehensive income				
- Quoted equity shares	1,258	2,491	1,258	2,491
- Unquoted equity shares	38	38	38	38
At end of the year	172,285	191,168	16,036	19,394
Financial liabilities				
Financial liabilities at amortised cost				
- Trade and other payables	111,873	120,789	1,380	3,687
- Other financial liabilities	43,258	35,675	18,554	19,665
At end of the year	155,131	156,464	19,934	23,352

Further quantitative disclosures are included throughout these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

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.

<u>Credit risk on financial assets and contract assets</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

Financial risk management (cont'd)

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

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 27 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 (2018: 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 11% (2018: 9%) and 81% (2018: 70%) of the Group and the Company's trade receivables are due from three customers as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Top no. 1 customer	4,370	3,169	729	637
Top no. 2 customer	3,356	3,139	148	148
Top no. 3 customer	2,877	2,254	124	120

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	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Past due less than 30 days	3,078	3,562	–	–
Past due 31 to 60 days	3,194	2,874	–	–
Past due 61 to 90 days	1,259	1,810	264	252
Past due over 90 days	15,416	13,620	684	573
	22,947	21,866	948	825

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Past due over 365 days	2,038	1,832	–	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

Financial risk management (cont'd)

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.

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	Due within 2 – 5 years	Due after 5 years	Total
	$'000	$'000	$'000	$'000
Group				
2019				
Trade and other payables	110,702	1,171	–	111,873
Other financial liabilities	17,569	15,770	16,150	49,489
At end of the year	128,271	16,941	16,150	161,362
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	134,422	11,985	16,149	162,556
Company				
2019				
Trade and other payables	1,380	–	–	1,380
Other financial liabilities	1,728	6,986	13,910	22,624
At end of the year	3,108	6,986	13,910	24,004
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	5,509	7,289	14,799	27,597

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 (2018: 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

31 December 2019

34. 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				
2019				
Financial guarantee contracts	28,604	6,907	909	36,420
2018				
Financial guarantee contracts	28,431	9,076	1,027	38,534
Company				
2019				
Financial guarantee contracts	26,699	6,907	909	34,515
2018				
Financial guarantee contracts	26,944	9,076	1,027	37,047

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

Financial risk management (cont'd)

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 on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

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	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Financial assets				
Fixed rate	15,076	20,595	5,548	8,365
Floating rate	45,129	48,790	2,048	2,866
	60,205	69,385	7,596	11,231
Financial liabilities				
Fixed rate	12,079	2,905	6	–
Floating rate	31,179	32,770	18,548	19,665
	43,258	35,675	18,554	19,665

Sensitivity analysis

For the floating rate financial assets and liabilities, a hypothetical increase of 100 (2018: 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 (2018: 100) basis points in interest rate would have an equal but opposite effect. This analysis assumes all other variables remain constant.

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Pre-tax profit for the reporting year	140	160	(165)	(168)

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

Financial risk management (cont'd)

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.

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
2019							
Financial assets							
Trade and other receivables	–	4,681	745	–	134	481	6,041
Cash and cash equivalents	1,340	7,934	1,339	–	773	342	11,728
Quoted equity shares	–	–	–	1,258	–	–	1,258
Unquoted equity shares	–	–	–	–	–	38	38
Total financial assets	1,340	12,615	2,084	1,258	907	861	19,065
Financial liabilities							
Trade and other payables	3	1,997	1,093	–	214	569	3,876
Other financial liabilities	–	–	–	–	–	–	–
Total financial liabilities	3	1,997	1,093	–	214	569	3,876
Net financial assets	1,337	10,618	991	1,258	693	292	15,189
2018							
Financial assets							
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
Financial liabilities							
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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

34. 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
2019					
Financial assets					
Trade and other receivables	135	–	2,294	48	2,477
Cash and cash equivalents	177	–	–	–	177
Quoted equity shares	–	1,258	–	–	1,258
Unquoted equity shares	–	–	–	38	38
Total financial assets	312	1,258	2,294	86	3,950
Financial liabilities					
Trade and other payables	–	–	–	75	75
Other financial liabilities	–	–	–	–	–
Total financial liabilities	–	–	–	75	75
Net financial assets	312	1,258	2,294	11	3,875
2018					
Financial assets					
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
Financial liabilities					
Trade and other payables	–	–	–	–	–
Other financial liabilities	–	–	–	–	–
Total financial liabilities	–	–	–	–	–
Net financial assets	458	2,491	2,324	170	5,443

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

Financial risk management (cont'd)

Foreign currency risk (cont'd)

Sensitivity analysis

A hypothetical 3% (2018: 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% (2018: 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.

	2019	**2018**
	$'000	$'000
Group		
SGD	40	33
USD	318	350
HKD	30	29
THB	38	75
RMB	21	3
Others	9	4
	456	494
Company		
USD	9	13
THB	38	75
AED	69	70
Others	–*	5
	116	163

* Amount less than $1,000

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

Financial risk management (cont'd)

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 $1,258,000 (2018: $2,491,000) 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% (2018: 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% (2018: 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	
	2019	**2018**
	$'000	$'000
Other comprehensive income for the reporting year	63	125

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

35. 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	
	2019	**2018**
	$'000	$'000
Commitments in respect of the construction of building	–	11

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

36. OPERATING LEASE PAYMENT COMMITMENTS – AS LESSEE

As at 31 December 2018, the Group had operating leases, in which it was the lessee, for production, office, retail, storage and dormitory facilities and equipment. As disclosed in Note 39, prior to the adoption of SFRS(I) 16 Leases, these operating leases were not recognised as liabilities in the statement of financial position and payments were recognised as operating lease expenses over the lease term on a straight-line basis. These leases, of which some were cancellable, had remaining lease terms of between 1 to 6 years. Some of these leases had renewal options and/or escalation clauses included in the contracts and provided for contingent rent based on a percentage of revenue in excess of the base rent. There were no restrictions placed upon the Group by entering into these leases.

The future minimum lease payments (fixed portion) payable under these leases at the end of the reporting year ended 31 December 2018 were as follows:

	Group 2018 $'000	Company 2018 $'000
Not later than one year	2,839	644
Later than one year and not later than five years	8,459	5
Later than five years	7	–
	11,305	649

37. OPERATING LEASE INCOME COMMITMENTS – AS LESSOR

As at 31 December 2019, the Group has operating leases, in which it is the lessor, for office facilities and machinery. As disclosed in Note 39, pursuant to the adoption of SFRS(I) 16 Leases on 1 January 2019, the requirements for lessor accounting remained largely unchanged. The lessor will continue to classify leases as either operating or finance leases using similar principles as in SFRS(I) 1-17 Leases. These non-cancellable leases have remaining lease terms of between 1 to 3 (2018: 1 to 3) years. Some of these leases have renewal options and/or escalation clauses included in the contracts.

The maturity analysis of the lease payments (fixed portion) receivable under these leases at the end of the reporting year ended 31 December 2019 is as follows:

	Group 2019 $'000	Company 2019 $'000
Maturity analysis		
Year 1	962	2,493
Year 2	648	2,354
Year 3	118	–
	1,728	4,847

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

37. OPERATING LEASE INCOME COMMITMENTS – AS LESSOR (CONT'D)

The future minimum lease payments (fixed portion) receivable under these leases at the end of the reporting year ended 31 December 2018 were as follows:

	Group 2018 $'000	Company 2018 $'000
Not later than one year	878	2,977
Later than one year and not later than five years	656	656
	1,534	3,633

38. CONTINGENT LIABILITIES

The Group has provided corporate guarantees to banks amounting to $36,420,000 (2018: $38,534,000) in connection with banking facilities granted to its subsidiaries.

39. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous reporting year except that in the current reporting year, the Group has adopted all the new and revised SFRS(I) that are effective for annual periods beginning on or after 1 January 2019. Other than the effects of SFRS(I) 16 Leases as described below, the adoption of these SFRS(I) did not result in any substantial change to the Group's accounting policies and has no significant impact on the financial statements for the current reporting year.

Prior to the adoption of SFRS(I) 16, operating lease commitments were not recognised as liabilities in the statement of financial position. The commitments were recognised as operating lease expenses over the lease term on a straight-line basis.

SFRS(I) 16 introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of an asset representing the right to use the underlying asset during the lease term (i.e. right-of-use asset) and a liability to make a lease payment (i.e. lease liability). The lessee will be required to separately recognise the depreciation expense on the right-of-use asset and the interest expense on the lease liability.

In contrast to lessee accounting, the requirements for lessor accounting remained largely unchanged. The lessor will continue to classify leases as either operating or finance leases using similar principles as in SFRS(I) 1-17 Leases. As such, SFRS(I) 16 does not have an impact for leases where the Group is the lessor.

The Group adopted SFRS(I) 16 on 1 January 2019, using the modified retrospective approach, with no restatement of comparative information, which continue to be presented under SFRS(I) 1-17 and SFRS(I) INT 4 Determining whether an Arrangement contains a Lease.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

39. CHANGES IN ACCOUNTING POLICIES (CONT'D)

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

- For all contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4, the Group has not reassessed if such contracts contain leases under SFRS(I) 16.
- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review.
- The Group has used hindsight in determining the lease term where the contract contains an option to extend or terminate the lease.

There were no onerous contracts as at 1 January 2019.

For leases previously classified as operating leases on 1 January 2019, the Group has applied the following transition provisions:

- The Group chose to measure its right-of-use assets at carrying amounts as if SFRS(I) 16 had been applied since the commencement of the leases but discounted using the incremental borrowing rate for each individual lease, or if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic as at 1 January 2019.
- The Group has recognised its lease liabilities by discounting the remaining lease payments using the incremental borrowing rate for each individual lease, or if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic as at 1 January 2019.
- The cumulative effect of adopting SFRS(I) 16 has been recognised as an adjustment to the opening balance of retained earnings on 1 January 2019. Comparative information is not restated.

For the lease previously classified as a finance lease on 1 January 2019, the carrying amount of the leased asset and finance lease liability were determined as the carrying amount of the right-of-use asset and lease liability respectively.

An explanation of the differences between the operating lease commitments previously disclosed in the financial statements as at 31 December 2018 and the lease liabilities recognised in the statements of financial position as at 1 January 2019 are as follows:

	Group $'000	**Company** $'000
Operating lease commitments disclosed as at 31 December 2018	11,305	649
Less: Discounting effect using incremental borrowing rates	(475)	(3)
Add: Finance lease liability recognised as at 31 December 2018	77	–
Lease liabilities recognised as at 1 January 2019	10,907	646

The weighted average lessee's incremental borrowing rates applied to the lease liabilities of the Group and Company recognised on 1 January 2019 are 4.20% and 3.04% respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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. The Group expects that the adoption of the new and revised SFRS(I) will have no material impact on the financial statements in the period of initial application.

SFRS(I) No.	Title	Effective date for periods beginning on or after
Various	Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
SFRS(I) 3	Amendments to SFRS(I) 3: Definition of a Business	1 January 2020
SFRS(I) 1-1 and SFRS(I) 1-8	Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material	1 January 2020
SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7	Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: Interest Rate Benchmark Reform	1 January 2020
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

41. EVENT AFTER THE END OF THE REPORTING YEAR

The COVID-19 outbreak and heightened risk alerts have significantly limited travel and human interaction and led to a decline in global business activities. The Group operates in the various countries affected by the outbreak and its business operations have been negatively affected. As the situation is still evolving, it is currently not possible to ascertain the full financial impact of the outbreak on the financial performance of the Group at this juncture.

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
Awaiting construction (1)	Row 7, Hanxu Village Chengdong Town, Hai'an County Nantong City, Jiangsu Province People's Republic of China	304,780 (Land) (No built-in)	50 years, expiring on 9 November 2069

Note:

(1) This piece of land is scheduled for the construction of office, production and storage facilities. It is in the preliminary phase of design and preparation for construction.

STATISTICS OF SHAREHOLDINGS

As at 13 March 2020

Number of issued shares	:	201,948,299
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	4	0.23	140	0.00
100 - 1,000	138	7.82	93,020	0.05
1,001 - 10,000	819	46.40	4,751,190	2.35
10,001 - 1,000,000	783	44.36	43,386,996	21.48
1,000,001 and above	21	1.19	153,716,953	76.12
Total	1,765	100.00	201,948,299	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	ISLANDA PTE. LTD.	37,993,060	18.81
2.	O-VEST PTE. LTD.	37,993,060	18.81
3.	DBS NOMINEES (PRIVATE) LIMITED	12,945,899	6.41
4.	CITIBANK NOMINEES SINGAPORE PTE LTD	8,825,400	4.37
5.	SOH SIAK POH BENEDICT	8,540,849	4.23
6.	SIMON ONG CHIN SIM	8,340,830	4.13
7.	PEOK CHONG ENG	4,222,479	2.09
8.	CHONG SIEW LING	4,150,531	2.06
9.	CHONG FOOK SENG PATRICK	4,014,000	1.99
10.	ONG CHIN KWAN	3,622,650	1.80
11.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,318,840	1.64
12.	IFAST FINANCIAL PTE. LTD.	2,425,449	1.20
13.	JONATHAN CHADWICK	2,400,000	1.19
14.	PHILLIP SECURITIES PTE LTD	2,383,000	1.18
15.	CHEONG CHAI KENG	2,275,038	1.13
16.	TAN AI LIN	2,245,573	1.11
17.	LIM HOCK CHYE STEPHEN	2,186,003	1.08
18.	RAFFLES NOMINEES (PTE) LIMITED	1,986,300	0.98
19.	ABN AMRO CLEARING BANK N.V.	1,466,400	0.73
20.	MERRILL LYNCH (SINGAPORE) PTE LTD	1,299,350	0.64
	TOTAL	152,634,711	75.58

STATISTICS OF SHAREHOLDINGS

As at 13 March 2020

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
Name of Substantial Shareholders	**Number of Shares**	**%**	**Number of Shares**	**%**
Soh Siak Poh Benedict (1)	8,540,849	4.23	37,993,060	18.81
Simon Ong Chin Sim (2)	8,340,830	4.13	37,993,060	18.81
Islanda Pte. Ltd.	37,993,060	18.81	–	–
O-Vest Pte. Ltd.	37,993,060	18.81	–	–
Png Geok Choo Rose (1)	–	–	37,993,060	18.81
Soh E-Ling Marianne (1)	–	–	37,993,060	18.81
Soh Hsien Wern Gavin (1)	–	–	37,993,060	18.81
Jillian Soh E-Ping (1)	–	–	37,993,060	18.81
Vera Ong Lim Guek Noi (2)	–	–	37,993,060	18.81
Ong Mei Lin Elita (2)	–	–	37,993,060	18.81

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 13 March 2020, approximately 44.59% 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.

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