



KINGSMEN CREATIVES LTD.

(Company Registration Number: 200210790Z)

RESPONSES TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON UNAUDITED HALF YEAR FINANCIAL STATEMENTS FOR FINANCIAL PERIOD ENDED 30 JUNE 2020

The Board of Directors (the “**Board**”) of Kingsmen Creatives Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to provide the following information in response to the queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 8 September 2020 on the unaudited half year financial statements of the Group for the financial period ended 30 June 2020 announced on 13 August 2020:

SGX-ST’s query 1

Please provide a breakdown of projects under both contract assets and contract liabilities as at 30 June 2020 and 31 December 2019. Using this breakdown, please provide an explanation for (i) the increase in contract assets of S\$9.9 million; and (ii) the increase in contract liabilities of S\$1.4 million.

Company’s response

The number of projects under contract assets and contract liabilities comprises hundreds of projects. On this basis, the Group is of the view that it would not be practical to present a breakdown of the projects under contract assets and contract liabilities as at 30 June 2020 and 31 December 2019.

The increase in contract assets of S\$9.9 million from S\$20.0 million as at 31 December 2019 to S\$29.9 million as at 30 June 2020 was mainly due to the longer time period taken to approve the work performed and the subsequent invoicing to clients due to the COVID-19 pandemic.

The increase in contract liabilities of S\$1.4 million from S\$9.4 million as at 31 December 2019 to S\$10.8 million as at 30 June 2020 was mainly due to advances that the Group received from clients for new projects and the longer duration taken to perform work due to the COVID-19 pandemic.

SGX-ST's query 2

Please provide a breakdown of trade and other receivables as at 30 June 2020 and 31 December 2019 and elaborate on the underlying items contributing to other receivables.

Company's response

	Group		
	As at 30 June 2020 S\$'000	As at 31 December 2019 S\$'000	Change S\$'000
Current			
<u>Trade receivables</u>			
Trade receivables	52,586	90,318	(37,732)
Sub-total	<u>52,586</u>	<u>90,318</u>	<u>(37,732)</u>
<u>Other receivables</u>			
Other receivables	7,888	10,007	(2,119)
Loan receivable from associates	2,141	2,210	(69)
Staff advances and loans	804	879	(75)
Deposits	2,354	2,572	(218)
Sub-total	<u>13,187</u>	<u>15,668</u>	<u>(2,481)</u>
Current, total	<u><u>65,773</u></u>	<u><u>105,986</u></u>	<u><u>(40,213)</u></u>

Trade and other receivables decreased by S\$40.2 million from S\$106.0 million as at 31 December 2019 to S\$65.8 million as at 30 June 2020. The decrease was mainly due to lower trade receivables, other receivables and deposits of S\$37.7 million, S\$2.1 million and S\$0.2 million respectively. The decrease in trade receivables, other receivables and deposits was mainly due to collections made and a lower level of business activities during the half year ended 30 June 2020 due to the COVID-19 pandemic.

SGX-ST's query 3

In relation to impairment loss on contract assets and doubtful trade receivables, please provide (i) the reason for the impairment; (ii) how the impairment was determined; and (iii) the Board's opinion on the reasonableness of the methodologies used to determine the value of the impairment.

Company's response

The impairment loss on contract assets and doubtful trade receivables mainly pertains to final account claims and retention sums on projects which the Group consistently follow up with clients and was made in consideration of the difficulty encountered in the recovery of the balances after taking into account factors such as outcome of negotiations with clients, insolvency or significant financial difficulties of clients and potential default or significant delay in payments by clients. The Board is of the opinion that the methodologies used constantly to determine the value of the impairment loss on contract assets and doubtful trade receivables is reasonable.

SGX-ST's query 4

Please provide the breakdown of other financial liabilities as at 30 June 2020 and 31 December 2019 and provide explanations on a line item basis on what contributed to the decrease of S\$1.6 million.

Company's response

	Group		
	As at 30 June 2020 S\$'000	As at 31 December 2019 S\$'000	Change S\$'000
Current			
Loans and borrowings	13,346	13,297	49
Lease liabilities	2,884	2,579	305
	<hr/> 16,230	<hr/> 15,876	<hr/> 354
Non-current			
Loans and borrowings	18,904	20,077	(1,173)
Lease liabilities	6,881	7,305	(424)
	<hr/> 25,785	<hr/> 27,382	<hr/> (1,597)
Current and non-current, total	<hr/> 42,015	<hr/> 43,258	<hr/> (1,243)

Other financial liabilities comprise loans and borrowings and lease liabilities. The decrease in the non-current portion of other financial liabilities of S\$1.6 million was mainly due to the reclassification of amounts from non-current to current as they become due and repayable within the next twelve months. Overall, other financial liabilities as at 30 June 2020 decreased by S\$1.2 million to S\$42.0 million compared to S\$43.2 million as at 31 December 2019. The decrease was mainly a result of repayments made and partially offset by new additions taken up during the half year ended 30 June 2020.

SGX-ST's query 5

Please provide a breakdown of trade and other payables as at 30 June 2020 and 31 December 2019 and provide an explanation for the material variances in each of the line items included in the breakdown.

Company's response

	Group		
	As at 30 June 2020 S\$'000	As at 31 December 2019 S\$'000	Change S\$'000
Current			
<u>Trade payables</u>			
Trade payables	59,105	83,595	(24,490)
Accrued project costs	19,185	7,039	12,146
Sub-total	<u>78,290</u>	<u>90,634</u>	<u>(12,344)</u>
<u>Other payables</u>			
Other payables	4,886	6,102	(1,216)
Provision for unutilised leave	986	958	28
Accrued operating expenses	9,521	12,747	(3,226)
Deposits	203	261	(58)
Sub-total	<u>15,596</u>	<u>20,068</u>	<u>(4,472)</u>
Current, total	<u>93,886</u>	<u>110,702</u>	<u>(16,816)</u>
Non-current			
<u>Other payables</u>			
Post-employment benefits	1,244	1,171	73
Non-current, total	<u>1,244</u>	<u>1,171</u>	<u>73</u>
Current and non-current, total	<u>95,130</u>	<u>111,873</u>	<u>(16,743)</u>

Trade and other payables decreased by S\$16.8 million from S\$111.9 million as at 31 December 2019 to S\$95.1 million as at 30 June 2020. The decrease was mainly due to lower trade payables, other payables and accrued operating expenses of S\$24.5 million, S\$1.2 million and S\$3.2 million respectively and partially offset by higher accrued project costs of S\$12.1 million. The decrease in trade payables, other payables and accrued operating expenses was mainly due to payments made and a lower level of business activities during the half year ended 30 June 2020 due to the COVID-19 pandemic. The increase in accrued project costs was a result of the longer time period taken in the approval of the work of the subcontractors and the subsequent invoicing due to the COVID-19 pandemic.

BY ORDER OF THE BOARD

Soh Siak Poh Benedict
Executive Chairman

11 September 2020