



KINGSMEN CREATIVES LTD.

(Company Registration Number: 200210790Z)

RESPONSES TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON UNAUDITED FULL YEAR FINANCIAL STATEMENTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 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 March 2021 on the unaudited full year financial statements of the Group for the financial year ended 31 December 2020 announced on 27 February 2021:

SGX-ST’s query 1

Please provide the breakdown of trade and other receivables (including what other receivables consist of) of S\$80,993,000 and S\$105,986,000 as at 31 December 2020 and 31 December 2019 respectively.

Company’s response

| | Group | |
|---------------------------------|---|---|
| | As at 31 December 2020 S\$’000 | As at 31 December 2019 S\$’000 |
| <u>Trade receivables</u> | | |
| Trade receivables | 69,228 | 90,318 |
| Sub-total | 69,228 | 90,318 |
| <u>Other receivables</u> | | |
| Other receivables | 6,707 | 10,007 |
| Loan receivable from associates | 2,116 | 2,210 |
| Staff advances and loans | 805 | 879 |
| Deposits | 2,137 | 2,572 |
| Sub-total | 11,765 | 15,668 |
| Total | 80,993 | 105,986 |

Other receivables of \$6,707,000 as at 31 December 2020 comprises of items such as grants, subsidies and rebates receivables and receivables for the disposal of plant and equipment.

SGX-ST's query 2

Please provide the aging of trade and other receivables as at 31 December 2020, the Board's assessment of the recoverability of trade and other receivables and the bases for such an assessment.

Company's response

The aging of trade receivables and other receivables of \$69,228,000 and \$6,707,000 respectively as at 31 December 2020 is as follows:

| | S\$'000 |
|----------------------------|---------------|
| <u>Trade receivables</u> | |
| Current | 47,900 |
| Past due less than 30 days | 4,860 |
| Past due 31 to 60 days | 2,230 |
| Past due 61 to 90 days | 1,798 |
| Past due over 90 days | 12,440 |
| Total | <u>69,228</u> |
| <u>Other receivables</u> | |
| Current | 2,319 |
| Past due less than 30 days | 39 |
| Past due 31 to 60 days | 47 |
| Past due 61 to 90 days | 1,770 |
| Past due over 90 days | 2,532 |
| Total | <u>6,707</u> |

The Group's approach in assessing the recoverability of trade and other receivables includes analysing historical payment trends, significant changes in operating results, credit standing, on-going business relationship and agreed repayment schedules with debtors. Based on the above, the Group is of the opinion that the sufficiency of the impairment loss on doubtful trade and other receivables is reasonable.

SGX-ST's query 3

The Group recognised impairment losses on property, plant and equipment and intangible assets of \$2,531,000 and \$3,563,000 respectively as at 31 December 2020 (2019: \$Nil). In this regard, please disclose the following information:-

- (i) The nature of the intangible assets;
- (ii) How the impairment was determined;
- (iii) Whether any valuation was conducted, the value placed on the assets, the basis and the date of such valuation;
- (iv) The Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine amount of impairment; and
- (v) The reasons for the impairment losses.

Company's response

The impairment loss on property, plant and equipment was mainly provided on the experiential and themed attraction asset. The impairment loss on intangible assets was provided on the accounting of goodwill from a subsidiary and the licences to operate the experiential and themed attraction business.

The impairment losses were determined by estimating the value in use of the businesses to which the property, plant and equipment, goodwill and licences (the "Assets") are allocated. As the values in use were estimated to be lower than the respective carrying amounts of the Assets, impairment losses were recognised to write down the carrying amounts to their respective values in use. There were no valuations conducted on the Assets.

The Board confirmed that it is of the opinion that the methodologies used constantly to determine the amount of the impairment losses on the Assets are reasonable.

SGX-ST's query 4

In respect of the impairment loss on doubtful trade receivables, please disclose the following:-

- (i) The Group's plans to recover the trade receivables;
- (ii) Whether they pertain to major customer(s) and whether the Group continues to transact with these customer(s). If so, what are the commercial reasons for doing so;
- (iii) How long are the debts outstanding and when were the sales reported?
- (iv) What were the actions taken to recover the trade receivables?
- (v) What are the reasons for the impairment on doubtful trade receivables?
- (vi) The Board's opinion on the reasonableness of methodologies used to determine the value of the impairment loss on doubtful trade receivables;
- (vii) The Group's policy in trade receivables collection;
- (viii) A breakdown of the Group's provision for trade and other receivables by aging bucket and jurisdictions.

Company's response

The impairment loss on doubtful trade receivables mainly pertains to final account claims and retention sums on projects. The Group is continually actively engaging the clients for the recovery of the trade receivables through actions such as negotiation for instalment payments and issue of demand letters. The impairment loss on doubtful trade receivables does not pertain to major clients and the Group has not continued to transact with these clients.

The impairment loss on doubtful trade receivables was made in consideration of the difficulty encountered in the recovery of the balances after taking into account factors such as outcome of negotiations, insolvency or significant financial difficulties and potential default or significant delay in payments. The Board is of the opinion that the methodologies used constantly to determine the value of the impairment loss on doubtful trade receivables are reasonable.

The Group constantly monitors and assesses the collectability of trade receivables and follows up with the debtors for collection. The Group presumes that the credit risk of trade receivables has increased significantly when they are more than 90 days past due unless the Group has information that demonstrates otherwise. The Group's approach in assessing the recoverability of trade receivables includes analysing historical payment trends, significant changes in operating results, credit standing, on-going business relationship and agreed repayment schedules with debtors.

A breakdown of the impairment loss of \$6,041,000 for the financial year ended 31 December 2020 by aging bucket and jurisdiction is as follows:

| | S\$'000 |
|--|--------------|
| <u>By aging</u> | |
| Recognised as revenue and trade receivables in | |
| 2020 | 81 |
| 2019 | 652 |
| 2018 | 883 |
| 2017 and before | 4,425 |
| Total | <u>6,041</u> |
| <u>By jurisdiction</u> | |
| North Asia | 462 |
| South Asia | 2,890 |
| Middle East | 2,689 |
| Total | <u>6,041</u> |

SGX-ST's query 5

Please provide further details on the impairment loss on contract assets and right-of-use asset, including, but not limited to, the nature and reasons for the impairment loss.

Company's response

The impairment loss on contract assets mainly pertains to final account claims and retention sums on projects 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, insolvency or significant financial difficulties and potential default or significant delay in payments.

The impairment loss on right-of-use asset pertains to the lease of a retail premises for the operation of the experiential and themed attraction business and was determined by estimating the value in use of the business to which the right-of-use asset is allocated. As the value in use was estimated to be lower than the carrying amount of the right-of-use asset, the impairment loss was recognised to write down the carrying amount to its value in use.

SGX-ST's query 6

Please provide an explanation as to why interest income amounted to only \$398,000 when the Company has cash and cash equivalents amounting to \$80,273,000.

Company's response

The cash and cash equivalents of \$80,273,000 as at 31 December 2020 comprise of cash at banks and in hand of \$56,711,000, and short-term deposits of \$23,562,000. Cash at banks are maintained in current bank accounts to fund daily operational needs of the Group and generally derive nil or minimal interest income. Short-term deposits are funds that are placed in fixed deposits for varying periods, usually for one month to three months depending on the immediate cash requirements of the Group, and the interest income derived has dropped over the past year due to a decline in the fixed deposit interest rates offered by banks due to the COVID-19 pandemic.

SGX-ST's query 7

Please disclose a breakdown of other payables amounting to \$19,991,000 and \$20,068,000 as at 31 December 2020 and 31 December 2019 respectively. Please also disclose the aging and nature of these other payables.

Company's response

| | Group | |
|--------------------------------|---|---|
| | As at 31 December 2020 S\$'000 | As at 31 December 2019 S\$'000 |
| <u>Other payables</u> | | |
| Other payables | 6,346 | 6,102 |
| Provision for unutilised leave | 328 | 958 |
| Accrued operating expenses | 13,047 | 12,747 |
| Deposits | 270 | 261 |
| Total | 19,991 | 20,068 |

Other payables of \$6,346,000 as at 31 December 2020 comprise of items such as downpayment received for the sale of freehold land and building of a subsidiary that was not completed as at year-end and payables to suppliers of property, plant and equipment, and their aging is as follows:

| | S\$'000 |
|----------------------------|---------|
| Current | 4,133 |
| Past due less than 30 days | 170 |
| Past due 31 to 60 days | 34 |
| Past due 61 to 90 days | 80 |
| Past due over 90 days | 1,929 |
| Total | 6,346 |

SGX-ST's query 8

Please provide the nature and reason(s) for the write-off of trade and other payables of \$1,604,000.

Company's response

The trade and other payables written off mainly comprise of trade amounts owing to suppliers for project works performed and an advance owing to a minority shareholder of a subsidiary that was extended for working capital purpose. The trade amounts were written off as they were long outstanding and payments were determined to be not required based on assessment and follow up performed e.g. for suppliers who are no longer in operation. The advance owing to a minority shareholder of a subsidiary was written off as the subsidiary has been loss making for the past few years and is in a net liability position, and the minority shareholder has deemed that the amount is non-collectible.

BY ORDER OF THE BOARD

Soh Siak Poh Benedict
Executive Chairman

9 March 2021