

**I N V E S T I N G**

K I N G S M E N C R E A T I V E S L T D

**F O R T H E**

A N N U A L R E P O R T 2 0 1 7

**F U T U R E**

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# INVESTING FOR THE FUTURE

We are in the era of change. As we continue to grow as a group, we remain committed to understanding the trends and forces that shape our business. We will evolve and explore new frontiers to ensure sustainable success for us and our partners.

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## VISION

Design-led, quality and service-driven

## MISSION

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

To be an active global player and be recognised as one of the elite marketing communication houses globally

To provide exciting and fulfilling career opportunities for all members through continual expansion and continuous learning

# CHAIRMAN'S MESSAGE

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## Dear Shareholders,

Our markets are buoyant and we continue to invest in our future growth. 2017 saw us moving into a new business area to expand the scope of our business and bring additional earning streams to the Group. We incorporated Kingsmen Ventures, an investment holding company and Kingsmen Xperience, a company based in the US, to create and own media/entertainment themed licenses and attractions. The establishment of our collaboration with Hasbro International, Inc. to co-conceptualise, create, build and operate NERF family entertainment centre (FEC) attractions across Asia Pacific is the first step into this exciting and growing area.

Our new Kingsmen HQ, to be ready by the second half of 2018 will be another major step in the transformation of Kingsmen and the pivotal anchor of our creative and experiential business focus. To this end, our Kingsmen Academy will continue to play a key role in the training and development of our people to serve our clients, and we continue to invest in new course offerings and the updating of course content for market needs.

On the financial front, we recorded a revenue of S\$307.2 million and net profit of S\$9.7 million in 2017. There was a 6.8% decrease in revenue and an 18.1% decrease in net profit compared to 2016. Our performance was impacted due to the soft retail market, adverse movements in foreign exchange, the completion of several thematic projects and the scheduling of new projects in the pipeline.

Our Exhibitions & Thematic division recorded a revenue of S\$136.8 million in 2017, a 9.7% decrease compared to S\$151.5 million in 2016, as a number of the larger scale projects were completed in 2016. The division is seeing good demand for its services and is optimistic about its prospects due to various projects already in the works, and several others in the pipeline.

Amidst soft retail conditions, our Retail & Corporate Interiors division continues to push hard as we expand our reach in the hospitality, corporate interior, F&B and mall public area segments while continuing to serve clients in our more established markets of high-end luxury, affordable luxury, fast fashion and travel retail. The division registered a revenue of S\$143.2 million in 2017, a 4.9% decline compared to S\$150.5 million in 2016.

Our Research & Design division maintained steady growth, registering a revenue of S\$15.5 million in 2017, an increase of 2.9% compared to S\$15.1 million in 2016. In addition, our Alternative Marketing division achieved a revenue of S\$11.8 million in 2017, a decrease of 7.2% from S\$12.7 million in 2016. We are taking steps to expand our base of clients and expect improved contribution from the division.

Looking ahead, we see good potential for our continued growth as the diverse industries we serve, and the services and capabilities we have built over the years put us in a unique position. As consumer preferences and needs gravitate towards an experiential focus, demand for our services will continue to expand. As at 31 January 2018, we have secured contracts of S\$84 million, of which S\$82 million is expected to be recognised in 2018.

In line with the Group's policy of distributing its profits to loyal shareholders, the Board of Directors has proposed a final dividend of 1.5 cents per ordinary share. Combined with the interim dividend of 1.0 cent per ordinary share paid in September 2017, we would have paid out a total dividend of 2.5 cents per ordinary share for 2017.

In closing, I would like to extend my heartfelt appreciation to all members of Kingsmen for their dedication and passion in delivering value for our clients and the Group. I would also like to acknowledge the Board of Directors for their steadfast support and guidance throughout the year. Last but not least, I am grateful to our business associates, clients and shareholders for their continued support and belief in us.

We are confident that we are on the right path and have the right strategy to deliver on our full potential. We remain committed in pursuit of new business opportunities and delivering value for all our stakeholders.

**BENEDICT SOH**  
*Chairman*

# BOARD OF DIRECTORS

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From Left To Right:  
Prabhakaran N. Nair, Alex Wee, Andrew Cheng, Benedict Soh, Simon Ong, Cynthia Tan, Anthony Chong 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 trustee of the Migrant Workers Centre and is actively involved as a board member of Spring Seeds Capital.

A strong proponent of education, Mr. Soh is the Chairman of Tourism & Hospitality Programmes and a member of the Academic Advisory Board at MDIS. He is also a member of the School Advisory Council of Northbrooks Secondary School and 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, Interior Designers Confederation of Singapore and Singapore Furniture Industries Council (Design). Mr. Ong served as Chairman of the design cluster in the Manpower, Skills & Training Council of WDA, President of the Interior Designers Association (Singapore), an IDP member of the Design Singapore Council and a board member of the Association of Retail Environments/SHOP!(USA).

An ardent advocate of education, Mr. Ong currently serves as a board director of Nanyang Academy of Fine Arts (NAFA) and a member of the Advisory Board to the School of Design & Environment at the National University of Singapore (NUS).

He was the former Chairman of the School Advisory Board of Cedar Girls Secondary School, and once served as a member of the Advisory Board of Temasek Polytechnic School of Design. Mr. Ong also served as Vice-Chairman of the Potong Pasir CC Management Committee. He was awarded a Master of Business Administration from the University of South Australia and a Master in Design from the University of New South Wales, Australia.

## **ANDREW CHENG**

### **Group Chief Executive Officer**

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

## **ANTHONY CHONG**

### **Group Managing Director, Exhibitions & Thematic**

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

## **ALEX WEE**

### **Group Managing Director, Retail & Corporate Interiors**

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

## **SEBASTIAN TAN**

### **Independent Director**

Sebastian Tan was appointed Independent Director of the Company in April 2013. In May 2000, he co-founded Boardroom Limited, a company listed on the Singapore Exchange (SGX-ST). He was the Managing/Finance Director of Boardroom Limited from May 2000 to March 2013. Having retired from Boardroom Limited, he continues to be an Advisor. Prior to May 2000, he was with Ernst & Young Singapore and its affiliates since September 1973. Mr. Tan is currently an Independent Non-Executive Chairman of Jumbo Group Limited and Vibrant Group Ltd and an Independent Director of Ezra Holdings Limited and Wilton Resources Corporation Ltd. He is also a Trustee of Kwan Im Thong Hood Cho Temple and a director of D S Lee Foundation and EtonHouse Community Fund Ltd. He is a qualified financial professional from the Association of Chartered Certified Accountants (UK). He was awarded the Public Service Medal in 1996.

## **PRABHAKARAN N. NAIR**

### **Independent Director**

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

## **CYNTHIA TAN**

### **Independent Director**

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

# SENIOR MANAGEMENT



**KREZ PEOK**  
*Managing Director*



**GERALD TAY**  
*Executive Director /  
Creative Director*



**ROY ONG**  
*Executive Director /  
Creative Director*

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**CHEONG CHAI KENG**  
*Managing Director*



**STEPHEN LIM**  
*General Director*



**FRANCIS CHANG**  
*Managing Director*



**EDMUND TAN**  
*Financial Controller*



**KREZ PEOK*****Managing Director***

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

**GERALD TAY*****Executive Director / Creative Director***

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

**ROY ONG*****Executive Director / Creative Director***

Roy Ong is the Executive Director and Creative Director of Kingsmen Design Pte Ltd. He is responsible for charting 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.

**CHEONG CHAI KENG*****Managing Director***

Cheong Chai Keng is the Managing Director of our Malaysia operations. He is responsible for the overall management of our Malaysia office including sales and marketing, operations and finance. He obtained a diploma in Mechanical Engineering from the Federal Institute Technology, Malaysia.

**STEPHEN LIM*****General Director***

Stephen Lim is the General Director of Kingsmen Indochina Pte Ltd. He is responsible for the day-to-day operations, sales, marketing and management of our Vietnam offices. Stephen has more than 34 years of experience in operations and project management of exhibitions, events and retail interiors.

**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.

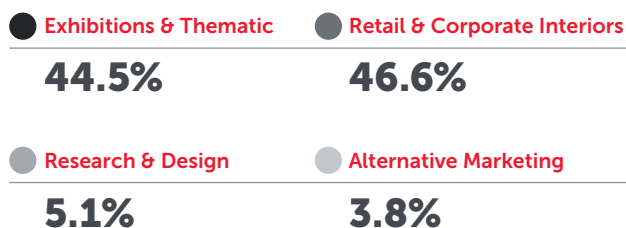
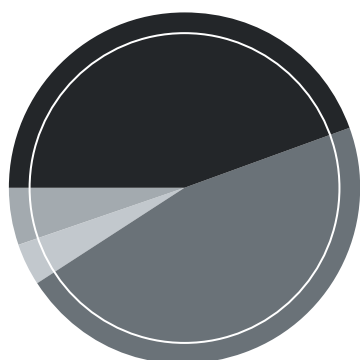
**EDMUND TAN*****Financial Controller***

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

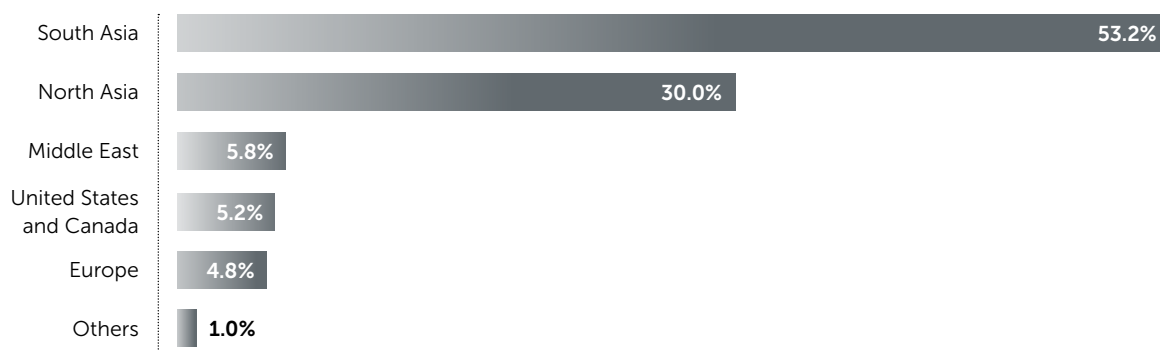
	FY2013	FY2014	FY2015	FY2016	FY2017
<b>For the Year (S\$'000)</b>					
Revenue	296,251	336,413	327,903	329,707	<b>307,254</b>
Gross profit	75,972	84,840	83,677	83,447	<b>77,198</b>
Profit before tax	22,005	21,354	21,641	14,350	<b>10,168</b>
Profit net of tax attributable to equity holders of the Company	17,744	17,155	19,068	11,896	<b>9,741</b>
<b>At Year-end (S\$'000)</b>					
Total assets	209,498	223,914	252,231	259,031	<b>246,365</b>
Total liabilities	120,226	122,849	138,860	140,361	<b>124,315</b>
Shareholders' funds	85,525	96,747	111,277	116,826	<b>120,924</b>
Cash and cash equivalents	62,160	81,360	70,688	74,551	<b>71,073</b>
Borrowings	4,562	6,514	13,385	11,056	<b>13,933</b>
<b>Per Share (cents)</b>					
Earnings – basic and diluted	9.21	8.84	9.71	6.02	<b>4.90</b>
Dividends	4.00	4.00	3.00	2.50	<b>2.50</b>
Net assets	44.24	49.73	56.51	58.96	<b>60.73</b>
<b>Key Ratios (%)</b>					
Revenue growth	2.1	13.6	(2.5)	0.6	<b>(6.8)</b>
Gross profit margin	25.6	25.2	25.5	25.3	<b>25.1</b>
Net profit margin	6.0	5.1	5.8	3.6	<b>3.2</b>
Return on shareholders' funds	22.3	18.8	18.3	10.4	<b>8.2</b>
Debt equity	5.3	6.7	12.0	9.5	<b>11.5</b>

## REVENUE BY ACTIVITIES



ACTIVITIES	YEAR ENDED 31 DEC 17		YEAR ENDED 31 DEC 16	
	S\$'000	%	S\$'000	%
Exhibitions & Thematic	136,772	44.5	151,435	45.9
Retail & Corporate Interiors	143,173	46.6	150,486	45.6
Research & Design	15,521	5.1	15,083	4.6
Alternative Marketing	11,788	3.8	12,703	3.9
Total Revenue	307,254	100.0	329,707	100.0

## REVENUE BY GEOGRAPHY



GEOGRAPHY	YEAR ENDED 31 DEC 17		YEAR ENDED 31 DEC 16	
	S\$'000	%	S\$'000	%
South Asia	163,428	53.2	180,799	54.9
North Asia	92,282	30.0	98,030	29.7
Middle East	17,772	5.8	22,724	6.9
United States and Canada	15,971	5.2	15,921	4.8
Europe	14,602	4.8	10,228	3.1
Others	3,199	1.0	2,005	0.6
Total Revenue	307,254	100.0	329,707	100.0

# FINANCIAL HIGHLIGHTS

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Year Ended 31 Dec 17 S\$'000	Year Ended 31 Dec 16 S\$'000	+ / (-) %
<b>Revenue</b>			
Exhibitions & Thematic	136,772	151,435	(9.7)
Retail & Corporate Interiors	143,173	150,486	(4.9)
Research & Design	15,521	15,083	2.9
Alternative Marketing	11,788	12,703	(7.2)
Total revenue	307,254	329,707	(6.8)
Cost of sales	(230,056)	(246,260)	(6.6)
<b>Gross profit</b>	77,198	83,447	(7.5)
<b>Other items of income</b>			
Interest income	409	353	15.9
Other income	3,989	4,720	(15.5)
<b>Other items of expense</b>			
Depreciation of property, plant and equipment	(2,001)	(2,429)	(17.6)
Employee benefits expense	(55,025)	(58,527)	(6.0)
Other expenses	(14,218)	(12,422)	14.5
Interest expense	(534)	(596)	(10.4)
Share of results of associates	350	(196)	n/m
<b>Profit before tax</b>	10,168	14,350	(29.1)
Income tax expense	(996)	(2,586)	(61.5)
<b>Profit net of tax</b>	9,172	11,764	(22.0)
<b>Profit/(loss) net of tax attributable to:</b>			
Equity holders of the Company	9,741	11,896	(18.1)
Non-controlling interests	(569)	(132)	331.1
<b>Profit net of tax</b>	9,172	11,764	(22.0)

Note:  
n/m = not meaningful

## REVENUE

For the financial year ended 31 December 2017 ("FY2017"), the Group recorded a revenue of S\$307.2 million, a decrease of S\$22.5 million or 6.8% compared to S\$329.7 million for the previous corresponding financial year ended 31 December 2016 ("FY2016").

The Exhibitions & Thematic division registered a revenue of S\$136.8 million in FY2017, a decrease of S\$14.7 million or 9.7% from S\$151.5 million in FY2016. The decrease in revenue was due to the completion of several key projects in FY2016. The key contributors to the division's revenue included major events and projects such as BNP Paribas WTA Finals Singapore presented by SC Global, Desaru Adventure Waterpark, Downton Abbey Touring Exhibition, Dubai Frame, Formula 1 Singapore Grand Prix, Heilan Horse Cultural Experience Pavilion, King Abdulaziz Center for World Culture, Madame Tussauds, National Day Parade 2017, TFWA Asia Pacific Exhibition & Conference 2017 and thematic projects in the region.

The Retail & Corporate Interiors division recorded a revenue of S\$143.2 million in FY2017, a decrease of S\$7.3 million or 4.9% compared to S\$150.5 million in FY2016. The decrease in revenue was due to the softer retail industry in some of the markets. The key accounts which contributed to the division's revenue included clients and brand names such as Aldo, Birkenstock, Coach, DBS Bank, DFS Venture, Dior, Fendi, La Perla, Lululemon, Robinsons, Skechers, Tiffany & Co. and YATA.

The Research & Design division registered a revenue of S\$15.5 million in FY2017, an increase of S\$0.4 million or 2.9% compared to S\$15.1 million in FY2016. The key accounts which contributed to the division's revenue included clients and brand names such as Burberry, Gucci, Madame Tussauds, Procter & Gamble Co., Robinsons and Tencent, and thematic projects in the region.

The Alternative Marketing division achieved a revenue of S\$11.8 million in FY2017, a decrease of S\$0.9 million or 7.2% from S\$12.7 million in FY2016. The key contributors to the division's revenue included events and projects from clients such as DFASS, Global Young Scientists Summit, International Public Policy Association, Shinnyo-en Singapore, StarHub and Techinnovation 2017.

## GROSS PROFIT

Gross profit for FY2017 decreased by S\$6.2 million or 7.5% to S\$77.2 million compared to S\$83.4 million in FY2016. The decrease was mainly a result of the lower revenue registered. Gross profit margin remained stable at 25.1% in FY2017 compared to 25.3% in FY2016.

## OTHER ITEMS OF INCOME

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

Other income decreased by S\$0.7 million or 15.5% from S\$4.7 million in FY2016 to S\$4.0 million in FY2017. The decrease was mainly due to lower rental income of S\$0.3 million and an absence of net foreign exchange gain of S\$0.3 million.

## OTHER ITEMS OF EXPENSE

Lower operating expenses were incurred in FY2017 compared to FY2016. The lower depreciation charge on property, plant and equipment was mainly due to fully depreciated assets, of which no further depreciation charge was recorded in FY2017. The decrease in employee benefits expense was mainly due to lower costs resulting from reduced headcount and lower performance linked incentives recorded. Other expenses rose mainly due to a net foreign exchange loss of S\$1.6 million recorded in FY2017 compared to a net foreign exchange gain of S\$0.3 million recorded in other income in FY2016. This 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 fall in interest expense was mainly due to a lower amount of loans and borrowings outstanding in FY2017 compared to FY2016.

## SHARE OF RESULTS OF ASSOCIATES

Share of results of associates changed by S\$0.5 million from a loss of S\$0.2 million in FY2016 to a profit of S\$0.3 million in FY2017. The change was mainly due to profit contribution from certain associates partially offset by loss contribution from an associate acquired in FY2016.

## 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\$2.2 million or 18.1% from S\$11.9 million in FY2016 to S\$9.7 million in FY2017.



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# Exhibitions & Thematic

Photos:

1. Jakarta Aquarium, Indonesia
2. Rio at Hong Kong International Lighting Fair, Hong Kong
3. USA Pavilion at Astana Expo 2017, Kazakhstan (In collaboration with BRC Imagination Arts, designer, creative director and executive producer of the pavilion experience)
4. Downton Abbey: The Exhibition, Singapore



# Retail & Corporate Interiors

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Photos:

1. L'Occitane en Provence, Indonesia  
2. Armani Exchange, Vietnam

3. Longchamp, Singapore  
4. Under Armour, South Korea





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# GENERAL POST OFFICE



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## Research & Design



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- Photos:
1. General Post Office, Singapore
  2. Wuhan Tencent Exhibition Centre, China
  3. The Marvel Experience, South Korea
  4. Steel in Bloom Garden at Changi Airport Terminal 4, Singapore

# Alternative Marketing

Photos:

1. Launch of the Downy #NeverFade Campaign, Singapore
2. Citizen Roadshow, Vietnam
3. Chang Sensory Trails 2017, London | San Francisco | Singapore
4. Exclusive Preview of the All New BMW 5 Series, Thailand

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# 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**

3 Changi South Lane  
Kingsmen Creative Centre  
Singapore 486118  
Telephone: (65) 6880 0088  
Facsimile: (65) 6880 0038  
Website: www.kingsmen-int.com

## **COMPANY REGISTRATION NUMBER**

200210790Z

## **JOINT COMPANY SECRETARIES**

**Yang Yanru Cheryl**

**Tan Yong Kwang**

## **SHARE REGISTRAR**

**Boardroom Corporate & Advisory Services Pte Ltd**  
50 Raffles Place #32-01  
Singapore Land Tower  
Singapore 048623

## **AUDITORS**

**RSM Chio Lim LLP**  
8 Wilkie Road #03-08  
Wilkie Edge  
Singapore 228095

Partner-in-charge: Eu Chee Wei David  
Appointed since financial year ended 31 December 2014

## **PRINCIPAL BANKERS**

**DBS Bank Ltd**

**The Hongkong and Shanghai Banking Corporation Limited**

**United Overseas Bank Limited**

# CORPORATE GOVERNANCE REPORT

Kingsmen Creatives Ltd. (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) are committed to achieving a high standard of corporate governance, and to complying with the Code of Corporate Governance 2012 (the “**Code**”). The Company believes that good corporate governance provides the framework for an ethical and accountable corporate environment, which will safeguard the interests of shareholders. This report describes the Group’s main corporate governance practices with specific references to the principles of the Code.

The Company is pleased to confirm that throughout the financial year ended 31 December 2017 (“**FY2017**”), the Group has complied substantially with the principles and guidelines of the Code. Where there are deviations from the recommendations of the Code, we have provided the reasons and explanations in relation to the Group’s practices, where appropriate.

## 1. BOARD MATTERS

### The Board’s Conduct of Affairs

**Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with management to achieve this objective and management remains accountable to the Board.**

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

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

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### Delegation by the Board

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

### Board Approval

Matters which specifically require the Board’s approval are:

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

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.

# CORPORATE GOVERNANCE REPORT

## 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 FY2017 and the attendance of our directors at these meetings are as follows:

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

\* Attendance by invitation

## Board Orientation and Training

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

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

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



# CORPORATE GOVERNANCE REPORT

## Board Composition and Guidance

**Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from management and 10% shareholders<sup>1</sup>. No individual or small group of individuals should be allowed to dominate the Board's decision making.**

### Board Composition

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

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

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

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

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

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

### Board Independence

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

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

# CORPORATE GOVERNANCE REPORT

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

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

## Chairman and Chief Executive Officer

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

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

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

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

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

# CORPORATE GOVERNANCE REPORT

## Board Membership

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

### Nominating Committee

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

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

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

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

<u>Name of Director</u>	<u>Date of First Appointment</u>	<u>Date of Last Re-election</u>
Soh Siak Poh Benedict	16 December 2002	28 April 2017
Simon Ong Chin Sim	16 December 2002	28 April 2016
Cheng Oon Teck	1 July 2016	28 April 2017
Chong Siew Ling	12 August 2003	28 April 2017
Alex Wee Huat Seng	1 July 2016	28 April 2017
Prabhakaran S/O Narayanan Nair	12 August 2003	28 April 2017
Tan Cher Liang	30 April 2013	28 April 2016
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<sup>2</sup>. In addition, the NC will take into consideration, *inter alia*, a qualitative assessment of each director's contributions as well as any other relevant time commitments. The Board is of the view that at present, it would not be meaningful to prescribe a maximum number of listed company board representations which any director may hold. Each director has confirmed that notwithstanding other listed company board representations (if any) and principal commitments, he/she is able to devote sufficient time and attention to the affairs of the Group.

### Alternate Directors

There is currently no alternate directors on the Board.

<sup>2</sup> 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.

# CORPORATE GOVERNANCE REPORT

## Process for Nomination and Selection of New Directors

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

## Process for Re-nomination and Re-election of Directors

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

## **Board Performance**

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

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## Board Evaluation Process

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

Each director will evaluate the performance of the Board taking into account a set of performance criteria which includes, *inter alia*, the evaluation of the Board's composition and size, the Board's process, the Board's effectiveness, the provision of information to the Board, the Board's standards of conduct and financial performance indicators. The Board is of the view that this set of performance criteria allows for appropriate comparison and addresses how the directors have enhanced long-term shareholders' value. The Board has met its performance objectives in respect of FY2017.

## Individual Director Evaluation

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

# CORPORATE GOVERNANCE REPORT

## Access to Information

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

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

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

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

The directors may, in furtherance of their duties, take independent professional advice, if necessary, at the Company's expense.

## 2. REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

**Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his/her own remuneration.**

### Level and Mix of Remuneration

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

### Disclosure on Remuneration

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

# CORPORATE GOVERNANCE REPORT

## 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 FY2017, the RC members did not require the service of an external remuneration consultant.

## Procedures for Setting Remuneration

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

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

## Remuneration Policies

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

## Executive Directors' and Key Executives' Remuneration

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

## 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.

# CORPORATE GOVERNANCE REPORT

## Level and Mix of Remuneration

The remuneration of the Company's directors and the Group's key executives for FY2017 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

<b>Name of Director</b>	<b>Fees</b>	<b>Salary</b>	<b>Bonus/ Incentives</b>	<b>Benefits</b>	<b>Share Award</b>	<b>Total Remuneration</b>	
	%	%	%	%	%	%	S\$'000
<b>Executive Directors</b>							
Soh Siak Poh Benedict	18	36	42	3	1	100	683
Simon Ong Chin Sim	17	36	42	4	1	100	679
Cheng Oon Teck	4	48	45	2	1	100	670
Chong Siew Ling	4	36	48	2	10	100	863
Alex Wee Huat Seng	5	65	27	3	–	100	483
<b>Independent Directors</b>							
Prabhakaran S/O Narayanan Nair	100	–	–	–	–	100	43
Tan Cher Liang	100	–	–	–	–	100	50
Tan Guan Hiang	100	–	–	–	–	100	43

### (b) Key Executives

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

<b>Name of Key Executive</b>	<b>Fees</b>	<b>Salary</b>	<b>Bonus/ Incentives</b>	<b>Benefits</b>	<b>Share Award</b>	<b>Total Remuneration</b>	
	%	%	%	%	%	%	%
<b>S\$250,000 to S\$499,999</b>							
Krez Peok Chong Eng	8	58	30	4	–		100
Roy Ong Chin Kwan	3	74	18	5	–		100
Gerald Tay Kay Sock	4	70	18	5	3		100
Stephen Lim Hock Chye	6	53	24	17	–		100
Francis Chang Keat Jin	4	64	32	–	–		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\$1,558,000.

Mr Roy Ong Chin Kwan is the brother and thus an immediate family member of Mr Simon Ong Chin Sim, our Deputy Executive Chairman. Mr Roy Ong Chin Kwan's remuneration for FY2017 falls in the band of S\$300,000 to S\$350,000. Save as disclosed above, there are no other employees who are related to a director, whose remuneration exceeds S\$50,000.

## Employee Share Scheme

Pursuant to the Scheme, an aggregate of 966,280 fully-paid shares, constituting approximately 0.5% of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings), were awarded and issued in FY2017. Since the commencement of the Scheme, an aggregate of 8,848,210 fully-paid shares, constituting approximately 4.4% 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.

# CORPORATE GOVERNANCE REPORT

## 3. ACCOUNTABILITY AND AUDIT

### Accountability

**Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.**

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

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

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

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

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

### Risk Management and Internal Controls

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

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

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

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

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



# CORPORATE GOVERNANCE REPORT

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

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

## Audit Committee

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

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

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

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

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

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

# CORPORATE GOVERNANCE REPORT

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

In the review of the financial statements for FY2017, the AC has discussed with management and the external auditors, RSM Chio Lim LLP (“RSM”), on significant matters and assumptions that impact the financial statements. Following the review and discussion, the AC is satisfied that those significant matters impacting the financial statements, including the most significant matters that have been included in the Independent Auditor’s Report dated 20 March 2018 to the shareholders of the Company as key audit matters, have been properly dealt with and recommended the Board to approve the financial statements. The Board has on 20 March 2018 approved the financial statements.

## External Auditors

The AC reviews the independence of RSM annually. No non-audit services were rendered by RSM during FY2017. The audit fees paid/payable to RSM for FY2017 amount to S\$181,500. The partner in charge of auditing the Group, Mr Eu Chee Wei David, was appointed from FY2014. The AC is satisfied with the independence and objectivity of RSM.

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

## Whistle-blowing Policy

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

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

## **Internal Audit**

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

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

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

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

# CORPORATE GOVERNANCE REPORT

## 4. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

### Shareholder Rights

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

### Communication with Shareholders

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

### Conduct of Shareholder Meetings

**Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.**

The Board is mindful of the obligation to provide regular, effective and fair communication with shareholders. Information is communicated to the shareholders on a timely basis. The Company does not practise selective disclosure. Where there is inadvertent disclosure made to a select group, the Company makes the same disclosure publicly to all others as promptly as possible. Price sensitive information is first publicly released via SGXNET and/or our corporate website before the Company meets with any group of investors or analysts. The Group's financial results and annual reports are announced or issued via SGXNET within the period specified under the Listing Manual, and are also made available to the public via the Company's website.

The Board welcomes the views of shareholders on matters affecting the Group, whether at shareholders' meetings or on an ad-hoc basis. Shareholders are informed of shareholders' meetings through notices published in the newspapers, reports and/or circulars provided to all shareholders in which relevant rules and procedures governing the meetings are clearly communicated. Each item of special business included in the notices of shareholders' meetings is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at shareholders' meetings for approval. "Bundling" of resolutions are kept to a minimum and are done only where the resolutions are interdependent and linked so as to form one significant proposal and only where there are reasons and material implications involved. All resolutions are to be voted by poll, following which the detailed results showing, *inter alia*, the number of votes cast for and against each resolution and the respective percentages will be announced. Electronic poll voting has not been employed due to the costs involved. The Executive Chairman, the Deputy Executive Chairman and the chairpersons of the AC, NC and RC are typically available at shareholders' meetings to answer queries. The external auditors are also present at the AGM to assist the directors in addressing any relevant queries by shareholders regarding the conduct of audit and the preparation and content of the auditors' report. The AGM is the principal forum for dialogue with shareholders.

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

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

# CORPORATE GOVERNANCE REPORT

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

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

## 5. DEALINGS IN SECURITIES

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

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

## 6. MATERIAL CONTRACTS

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

## 7. INTERESTED PERSON TRANSACTIONS

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

There are no interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual and excluding transactions amounting to less than S\$100,000, there are no other interested person transactions during FY2017. To ensure compliance with Chapter 9 of the Listing Manual, the AC and the Board review, on a quarterly basis, interested person transactions entered into by the Group (if any).

# FINANCIAL STATEMENTS

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# DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Kingsmen Creatives Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the reporting year ended 31 December 2017.

## 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 2017, and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the reporting year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## 2. DIRECTORS

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

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

## 3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

# DIRECTORS' STATEMENT

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

	Direct interest		Deemed interest	
	At the beginning of the reporting year	At the end of the reporting year	At the beginning of the reporting year	At the end of the reporting year
<u>Name of director</u>				
		<u>Ordinary shares of the Company</u>		
Soh Siak Poh Benedict	8,329,419	8,540,849	37,993,060	37,993,060
Simon Ong Chin Sim	8,329,400	8,340,830	37,993,060	37,993,060
Cheng Oon Teck	636,260	647,690	–	–
Chong Siew Ling	3,963,061	4,104,731	–	–
Alex Wee Huat Seng	2,703,549	2,703,549	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the reporting year and 21 January 2018.

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.

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

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

## 5. SHARE OPTIONS

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

# DIRECTORS' STATEMENT

## 6. KINGSMEN PERFORMANCE SHARE SCHEME

The Kingsmen Performance Share Scheme (the "KPSS") was approved and adopted by the members of the Company at an Extraordinary General Meeting of the Company held on 29 April 2009. The purpose of the KPSS is to provide an opportunity for (a) Group employees, (b) Group executive directors (which refers to directors of the Company and/or any of its subsidiaries, as the case may be, who performs an executive function within the Group), (c) Group non-executive directors (which refers to independent directors of the Company or directors of the Company and/or any of its subsidiaries, as the case may be, other than a Group executive director) and (d) associated company employees who have met performance targets to be remunerated through an equity stake in the Company and/or when due recognition should be given to any good work performance and/or significant contribution to the Group as well as for Group employees to receive part of their annual cash bonus payment in the form of shares of the Company. Persons eligible to participate in the KPSS who are also controlling shareholders of the Company or associates of a controlling shareholder of the Company would be eligible to participate in the KPSS subject to the rules of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "Listing Manual"). Under the KPSS, an award of fully paid shares of the Company may only be vested and consequently any shares comprised in such awards shall only be delivered upon (i) the committee administering the KPSS (the "KPSS Committee") being satisfied that the participant has achieved the pre-determined performance targets and/or due recognition should be given for good work performance and/or significant contribution to the Group and/or (ii) the Company decides to pay a pre-determined percentage of a Group employee's annual cash bonus payment in the form of shares of the Company. The pre-determined performance targets for each participant and the pre-determined percentage of a Group employee's annual cash bonus payment in the form of shares of the Company shall be determined by the KPSS Committee in its absolute discretion.

The KPSS Committee consists of five directors of the Company (being two of the executive directors, Mr Soh Siak Poh Benedict and Mr Simon Ong Chin Sim, and the three independent directors, Mr Prabhakaran S/O Narayanan Nair, Mr Tan Cher Liang and Ms Tan Guan Hiang). The quorum for any KPSS Committee meeting shall be three directors, of which two of the directors shall be independent directors. The KPSS shall be administered by the KPSS Committee in its absolute discretion with such powers and duties as are conferred on it by the board of directors, except that in compliance with the requirements of the Listing Manual, no member of the KPSS Committee shall participate in any deliberation or decision in respect of share awards granted or to be granted to him/her.

The KPSS shall continue in force at the discretion of the KPSS Committee, subject to a maximum period of ten years commencing on 29 April 2009 which is the date the KPSS is adopted by the Company in general meeting, provided always that the KPSS may continue beyond the above stipulated period with the approval of members of the Company by ordinary resolution in general meeting and of any relevant authorities which may then be required. The KPSS may be terminated at any time by the KPSS Committee or by resolution of the Company in general meeting subject to all relevant approvals, which may be required, and if the KPSS is terminated, no further awards shall be vested by the Company.

During the reporting year, an aggregate of 966,280 (2016: 1,437,900) performance shares were awarded to and accepted by 52 (2016: 70) 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 1.1.2017 (a)	Share awards granted during the reporting year	Share awards vested during the reporting year (b)	Balance as at 31.12.2017 (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	594,980	11,430	11,430	606,410	606,410
Simon Ong Chin Sim	594,980	11,430	11,430	606,410	606,410
Ong Chin Kwan	110,730	–	–	110,730	110,730
Directors					
Cheng Oon Teck	462,830	11,430	11,430	474,260	474,260
Chong Siew Ling	328,300	141,670	141,670	469,970	469,970
Alex Wee Huat Seng	648,150	–	–	648,150	648,150
Employees					
	5,141,960	790,320	790,320	5,932,280	5,932,280
	<u>7,881,930</u>	<u>966,280</u>	<u>966,280</u>	<u>8,848,210</u>	<u>8,848,210</u>

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

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

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

# DIRECTORS' STATEMENT

## 7. AUDIT COMMITTEE

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

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

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

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

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

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

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

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

# DIRECTORS' STATEMENT

## 8. INDEPENDENT AUDITORS

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

On behalf of the board of directors

Soh Siak Poh Benedict  
Director

Simon Ong Chin Sim  
Director

20 March 2018

# 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 2017, the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the reporting year then ended, and notes to the financial statements, including accounting policies.

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards ("FRSs") so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the reporting year ended on that date.

### Basis for opinion

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

### Key audit matters

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

#### (1) Assessment of goodwill

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

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

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

# INDEPENDENT AUDITOR'S REPORT

to the Members of KINGSMEN CREATIVES LTD.

## Key audit matters (cont'd)

### (2) Recognition of construction contracts

The Group has a number of large and complex projects, with differing revenue recognition criteria across the projects. The timing of revenue recognition on these projects is dependent on the fulfilment of contractual terms. The fulfilment of such contractual terms can be complex and often involve subjective judgements on contract completion and recoverability. Judgements are also exercised in assessing the fair value of the works done. There is a risk that the Group's recognition of construction contracts may not be reasonable. Please refer to Note 2 of the financial statements on accounting policies and Note 3 of the financial statements on critical judgements, assumptions and estimation uncertainties. Further information in relation to construction contracts is provided in Notes 6 and 23 of the financial statements.

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

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

### (3) Recoverability of trade receivables

Management monitors and assesses the Group's credit risk, and where required, adjust the level of allowance for impairment 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 impairment 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 20 and 32 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 impairment to be made by the Group in respect of the overdue trade receivables, by considering amongst others, factors such as subsequent receipts, past payment practices, ongoing business relationship with the debtors involved or where relevant, repayment schedule as agreed with the debtors. We have also enquired with management on the reasons for the delay in payments on the overdue trade receivables.

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

# INDEPENDENT AUDITOR'S REPORT

to the Members of KINGSMEN CREATIVES LTD.

## 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 FRSs, 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 Eu Chee Wei David.

RSM Chio Lim LLP  
Public Accountants and  
Chartered Accountants  
Singapore

20 March 2018

Engagement partner – effective from reporting year ended 31 December 2014

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# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	Note	2017 \$'000	Group 2016 \$'000
<b>Revenue</b>	6	307,254	329,707
Cost of sales		(230,056)	(246,260)
<b>Gross profit</b>		77,198	83,447
<b>Other items of income</b>			
Interest income	7	409	353
Other income	8	3,989	4,720
<b>Other items of expense</b>			
Depreciation of property, plant and equipment	15	(2,001)	(2,429)
Employee benefits expense	9	(55,025)	(58,527)
Other expenses	10	(14,218)	(12,422)
Interest expense	11	(534)	(596)
Share of results of associates		350	(196)
<b>Profit before tax</b>		10,168	14,350
Income tax expense	12	(996)	(2,586)
<b>Profit net of tax</b>		9,172	11,764
<b>Other comprehensive income/(loss):</b>			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale financial asset		9	(882)
Exchange differences on translating foreign operations, net of tax		(1,197)	(414)
		(1,188)	(1,296)
Item that will not be reclassified to profit or loss:			
Defined benefit plan actuarial (loss)/gain, net of tax		(14)	20
<b>Other comprehensive loss for the year, net of tax</b>		(1,202)	(1,276)
<b>Total comprehensive income</b>		7,970	10,488
<b>Profit/(loss) net of tax attributable to:</b>			
Equity holders of the Company		9,741	11,896
Non-controlling interests		(569)	(132)
<b>Profit net of tax</b>		9,172	11,764
<b>Total comprehensive income/(loss) attributable to:</b>			
Equity holders of the Company		8,496	10,634
Non-controlling interests		(526)	(146)
<b>Total comprehensive income</b>		7,970	10,488
<b>Earnings per share attributable to equity holders of the Company (cents per share)</b>			
Basic	13	4.90	6.02
Diluted	13	4.90	6.02

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



# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Land use right	14	6,738	6,981	6,738	6,981
Property, plant and equipment	15	33,536	24,610	12,553	1,404
Intangible assets	16	8,637	7,794	–	–
Investments in subsidiaries	17	–	–	27,715	25,715
Investments in associates	18	6,333	5,954	3,430	3,430
Other investments	19	4,313	4,304	4,313	4,304
Trade and other receivables	20	139	759	–	–
Deferred tax assets	21	541	426	61	47
		<u>60,237</u>	<u>50,828</u>	<u>54,810</u>	<u>41,881</u>
<b>Current assets</b>					
Other investments	19	–	1,014	–	1,014
Inventories	22	1,583	1,607	–	–
Gross amount due from customers for contract work-in-progress	23	15,454	23,595	–	–
Trade and other receivables	20	94,407	104,730	5,841	5,858
Other assets	24	1,075	1,102	94	174
Cash and cash equivalents	25	73,609	76,155	3,373	10,041
		<u>186,128</u>	<u>208,203</u>	<u>9,308</u>	<u>17,087</u>
<b>Total assets</b>		<u>246,365</u>	<u>259,031</u>	<u>64,118</u>	<u>58,968</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	26	27,710	27,130	27,710	27,130
Retained earnings		97,507	92,900	31,993	27,812
Other reserves	27	(4,293)	(3,204)	1,563	1,554
		<u>120,924</u>	<u>116,826</u>	<u>61,266</u>	<u>56,496</u>
Non-controlling interests		1,126	1,844	–	–
<b>Total equity</b>		<u>122,050</u>	<u>118,670</u>	<u>61,266</u>	<u>56,496</u>
<b>Non-current liabilities</b>					
Trade and other payables	28	1,195	1,245	–	–
Other financial liabilities	29	5,468	6,807	–	–
Deferred tax liabilities	21	396	374	–	–
		<u>7,059</u>	<u>8,426</u>	<u>–</u>	<u>–</u>
<b>Current liabilities</b>					
Gross amount due to customers for contract work-in-progress	23	7,330	10,521	–	–
Trade and other payables	28	96,816	110,660	2,852	2,472
Other financial liabilities	29	8,465	4,249	–	–
Other liabilities	30	2,489	2,607	–	–
Income tax payable		2,156	3,898	–	–
		<u>117,256</u>	<u>131,935</u>	<u>2,852</u>	<u>2,472</u>
<b>Total liabilities</b>		<u>124,315</u>	<u>140,361</u>	<u>2,852</u>	<u>2,472</u>
<b>Total equity and liabilities</b>		<u>246,365</u>	<u>259,031</u>	<u>64,118</u>	<u>58,968</u>

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

# STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2017

Group	Attributable to equity holders of the Company					
	Share capital \$'000	Retained earnings \$'000	Other reserves \$'000	Equity attributable to equity holders of the Company, total \$'000	Non-controlling interests \$'000	Equity, total \$'000
<b>Opening balance at 1 January 2017</b>	27,130	92,900	(3,204)	116,826	1,844	118,670
Profit/(loss) for the year	–	9,741	–	9,741	(569)	9,172
<u>Other comprehensive income/(loss)</u>						
Change in fair value of available-for-sale financial asset (Note 27)	–	–	9	9	–	9
Foreign currency translation (Note 27)	–	–	(1,241)	(1,241)	44	(1,197)
Defined benefit plan actuarial loss (Note 28)	–	(13)	–	(13)	(1)	(14)
Other comprehensive (loss)/income for the year, net of tax	–	(13)	(1,232)	(1,245)	43	(1,202)
<b>Total comprehensive income/(loss) for the year</b>	–	9,728	(1,232)	8,496	(526)	7,970
<u>Contributions by and distributions to equity holders</u>						
Ordinary shares issued pursuant to performance share scheme (Note 26)	580	–	–	580	–	580
Dividends paid on ordinary shares (Note 31)	–	(4,978)	–	(4,978)	–	(4,978)
Total contributions by and distributions to equity holders	580	(4,978)	–	(4,398)	–	(4,398)
<u>Changes in ownership interests in subsidiaries</u>						
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	(192)	(192)
Total changes in ownership interests in subsidiaries	–	–	–	–	(192)	(192)
<b>Total transactions with equity holders in their capacity as equity holders</b>	580	(4,978)	–	(4,398)	(192)	(4,590)
<u>Other</u>						
Appropriation to statutory reserve fund (Note 27)	–	(143)	143	–	–	–
<b>Total other</b>	–	(143)	143	–	–	–
<b>Closing balance at 31 December 2017</b>	27,710	97,507	(4,293)	120,924	1,126	122,050

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# STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2017

Group	Attributable to equity holders of the Company			Equity attributable to equity holders of the Company, total \$'000	Non- controlling interests \$'000	Equity, total \$'000
	Share capital \$'000	Retained earnings \$'000	Other reserves \$'000			
<b>Opening balance at 1 January 2016</b>	26,331	87,030	(2,084)	111,277	2,094	113,371
Profit/(loss) for the year	–	11,896	–	11,896	(132)	11,764
<u>Other comprehensive income/(loss)</u>						
Change in fair value of available-for-sale financial asset (Note 27)	–	–	(882)	(882)	–	(882)
Foreign currency translation (Note 27)	–	–	(399)	(399)	(15)	(414)
Defined benefit plan actuarial gain (Note 28)	–	19	–	19	1	20
<u>Other comprehensive income/(loss) for the year, net of tax</u>	–	19	(1,281)	(1,262)	(14)	(1,276)
<b>Total comprehensive income/(loss) for the year</b>	–	11,915	(1,281)	10,634	(146)	10,488
<u>Contributions by and distributions to equity holders</u>						
Purchase of treasury shares (Note 26)	(140)	–	–	(140)	–	(140)
Treasury shares reissued pursuant to performance share scheme (Notes 26 and 27)	663	–	60	723	–	723
Ordinary shares issued pursuant to performance share scheme (Note 26)	276	–	–	276	–	276
Dividends paid on ordinary shares (Note 31)	–	(5,944)	–	(5,944)	–	(5,944)
<u>Total contributions by and distributions to equity holders</u>	799	(5,944)	60	(5,085)	–	(5,085)
<u>Changes in ownership interests in subsidiaries</u>						
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	(104)	(104)
<u>Total changes in ownership interests in subsidiaries</u>	–	–	–	–	(104)	(104)
<b>Total transactions with equity holders in their capacity as equity holders</b>	799	(5,944)	60	(5,085)	(104)	(5,189)
<u>Other</u>						
Appropriation to statutory reserve fund (Note 27)	–	(101)	101	–	–	–
<b>Total other</b>	–	(101)	101	–	–	–
<b>Closing balance at 31 December 2016</b>	27,130	92,900	(3,204)	116,826	1,844	118,670

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# STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2017

Company	Attributable to equity holders of the Company			
	Share capital \$'000	Retained earnings \$'000	Other reserves \$'000	Equity, total \$'000
<b>Opening balance at 1 January 2017</b>	27,130	27,812	1,554	56,496
Profit for the year	–	9,159	–	9,159
<u>Other comprehensive income</u>				
Change in fair value of available-for-sale financial asset (Note 27)	–	–	9	9
Other comprehensive income for the year, net of tax	–	–	9	9
<b>Total comprehensive income for the year</b>	–	9,159	9	9,168
<u>Contributions by and distributions to equity holders</u>				
Ordinary shares issued pursuant to performance share scheme (Note 26)	580	–	–	580
Dividends paid on ordinary shares (Note 31)	–	(4,978)	–	(4,978)
Total contributions by and distributions to equity holders	580	(4,978)	–	(4,398)
<b>Total transactions with equity holders in their capacity as equity holders</b>	580	(4,978)	–	(4,398)
<b>Closing balance at 31 December 2017</b>	<b>27,710</b>	<b>31,993</b>	<b>1,563</b>	<b>61,266</b>
<b>Opening balance at 1 January 2016</b>	26,331	21,898	2,376	50,605
Profit for the year	–	11,858	–	11,858
<u>Other comprehensive loss</u>				
Change in fair value of available-for-sale financial asset (Note 27)	–	–	(882)	(882)
Other comprehensive loss for the year, net of tax	–	–	(882)	(882)
<b>Total comprehensive income/(loss) for the year</b>	–	11,858	(882)	10,976
<u>Contributions by and distributions to equity holders</u>				
Purchase of treasury shares (Note 26)	(140)	–	–	(140)
Treasury shares reissued pursuant to performance share scheme (Notes 26 and 27)	663	–	60	723
Ordinary shares issued pursuant to performance share scheme (Note 26)	276	–	–	276
Dividends paid on ordinary shares (Note 31)	–	(5,944)	–	(5,944)
Total contributions by and distributions to equity holders	799	(5,944)	60	(5,085)
<b>Total transactions with equity holders in their capacity as equity holders</b>	799	(5,944)	60	(5,085)
<b>Closing balance at 31 December 2016</b>	<b>27,130</b>	<b>27,812</b>	<b>1,554</b>	<b>56,496</b>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Group	
	2017	2016
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Profit before tax	10,168	14,350
Adjustments for:		
Amortisation of intangible asset	91	91
Amortisation of land use right	243	243
Bad trade debts written off	437	206
Depreciation of property, plant and equipment	3,135	3,556
Dividend income from available-for-sale financial asset	(80)	(106)
Gain on deemed disposal of interest in an associate	–	(77)
Impairment loss on held-to-maturity investment	14	13
Net gain on disposal of property, plant and equipment	(1)	(79)
Net (write-back of impairment loss)/impairment loss on doubtful trade receivables	(22)	686
Performance share scheme expense	120	573
Property, plant and equipment written off	1	4
Interest income	(409)	(353)
Interest expense	534	596
Share of results of associates	(350)	196
Currency realignment	1,023	267
<b>Operating cash flows before changes in working capital</b>	14,904	20,166
(Increase)/decrease in:		
Inventories	24	1,129
Gross amount due from customers for contract work-in-progress	8,141	(3,783)
Trade and other receivables	10,528	(2,597)
Other assets	(16)	(196)
Increase/(decrease) in:		
Gross amount due to customers for contract work-in-progress	(3,191)	5,954
Trade and other payables	(14,050)	332
Other liabilities	342	(759)
<b>Net cash flows from operations</b>	16,682	20,246
Interest received	409	353
Interest paid	(534)	(596)
Income taxes paid	(2,791)	(4,938)
<b>Net cash flows from operating activities</b>	13,766	15,065
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(12,077)	(3,543)
Proceeds from disposal of property, plant and equipment	138	106
Proceed from maturity of held-to-maturity investment	1,000	–
Acquisition of intangible asset	(1,337)	–
Dividend income from available-for-sale financial asset	80	66
Dividend income from associates	150	680
<b>Net cash flows used in investing activities</b>	(12,046)	(2,691)

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	2017	Group	2016
	\$'000		\$'000
<b>Cash flows from financing activities</b>			
Dividends paid on ordinary shares	(4,978)		(5,944)
Dividends paid to non-controlling interests of subsidiaries	(192)		(104)
Purchase of treasury shares	–		(140)
Proceeds from draw down of loans and borrowings	8,899		3,038
Repayment of loans and borrowings	(6,209)		(5,180)
Repayment of finance lease obligations	(6)		(35)
(Increase)/decrease in deposits pledged for bank facilities	(932)		319
<b>Net cash flows used in financing activities</b>	<b>(3,418)</b>		<b>(8,046)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,698)</b>		<b>4,328</b>
Effect of exchange rate changes on cash and cash equivalents	(1,780)		(465)
Cash and cash equivalents at beginning of year	74,551		70,688
<b>Cash and cash equivalents at end of year (Note 25)</b>	<b>71,073</b>		<b>74,551</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 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 3 Changi South Lane, Kingsmen Creative Centre, Singapore 486118.

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 ("FRS") and the related Interpretations to FRS ("INT FRS") 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 FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies which are in accordance with FRS need not be applied when the effects of applying them are immaterial. The disclosures required by FRS 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 FRS. 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 an associate, a jointly-controlled entity or an available-for-sale financial asset in accordance with FRS 39 Financial Instruments: Recognition and Measurement.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 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

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the reporting period arising from the course of the activities of the Group and it is shown net of any related sales taxes and rebates.

- 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 when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably.
- Revenue from rendering of services is recognised as the services are provided or when the significant acts have been completed.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 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. Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (the "percentage of completion method"), when the outcome of a construction contract can be estimated reliably. Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue; and they can be reliably measured. Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract.

The outcome of a construction contract can be estimated reliably when: (i) total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the Group; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a construction contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expenses in the period in which they are incurred.

An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

In applying the percentage of completion method, the stage of completion is measured by reference to certification of value of work performed to date. Where there is no certification of value available, the stage of completion is based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

The Group's contracts are typically negotiated for the construction of a single asset or a group of assets which are closely interrelated or interdependent in terms of their design, technology and function. In certain circumstances, the percentage of completion method is applied to the separately identifiable components of a single contract or to a group of contracts together in order to reflect the substance of a contract or a group of contracts. Assets covered by a single contract are treated separately when: (i) separate proposals have been submitted for each asset; and (ii) each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract relating to each asset – the revenue and costs of each asset can be identified. A group of contracts are treated as a single construction contract when: (i) the group of contracts are negotiated as a single package; the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin; and (ii) the contracts are performed concurrently or in a continuous sequence.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### **Borrowing costs**

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

### **Employee benefits**

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

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

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

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

### **Share-based compensation**

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Income tax

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

### Foreign currency transactions and balances

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

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

The presentation currency is the functional currency.

### Translation of financial statements of other entities

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

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Segment reporting

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

### Subsidiaries

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

In the Company's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

### Associates

An associate is an entity in which the Group has a significant influence and that is neither a subsidiary nor a joint arrangement of the Group. 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. An investment in an associate includes goodwill on acquisition, which is accounted for in accordance with FRS 103 Business Combinations. However, the entire carrying amount of the investment is tested under FRS 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 FRS 39 Financial Instruments: Recognition and Measurement indicates that the investment may be impaired.

In the consolidated financial statements, investment in 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 associate's net assets. Goodwill relating to 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 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 associate in the period in which the investment is acquired. The Group's profit or loss includes its share of the associate's profit or loss and the Group's other comprehensive income includes its share of the associate's other comprehensive income. Distributions received from an associate reduce the carrying amount of the investment. Losses of an associate in excess of the Group's interest in the associate are not recognised except to the extent that the Group has an obligation. Profits and losses resulting from transactions between the Group and an associate are recognised in the financial statements only to the extent of the Group's unrelated interests in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The financial statements of the associates are prepared as of the same reporting date as the Company. Accounting policies of associates 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 an associate and accounts for the investment as a financial asset in accordance with FRS 39 Financial Instruments: Recognition and Measurement from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former associate is measured at fair value at the date that it ceases to be an associate.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Associates (cont'd)

In the Company's separate financial statements, an investment in an associate is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for 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 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 FRS 103 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 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 FRS 103 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.

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

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy on translation of financial statements of other entities.

Goodwill and fair value adjustments which arose on the acquisition of foreign operations before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in SGD at the exchange rates prevailing at the date of acquisition.

### Land use right

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

### Property, plant and equipment

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Property, plant and equipment (cont'd)

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

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

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

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

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

### Leases

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

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is not practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting periods in which they are incurred. The assets are depreciated as owned depreciable assets over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Leases (cont'd)

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

### Intangible assets

An identifiable non-monetary asset without physical substance is recognised as an intangible asset at acquisition cost if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. After initial recognition, an intangible asset with finite useful life is carried at cost less any accumulated amortisation and accumulated impairment losses. Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying amounts may be impaired individually or at the cash-generating unit level. An intangible asset with an indefinite useful life is not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

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

Customer relationships	–	5 and 6 years
Licence	–	13 years

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

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



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 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 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Financial assets (cont'd)

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based on the derecognition test prescribed by FRS 39 Financial Instruments: Recognition and Measurement relating to the transfer of risks and rewards of ownership and the transfer of control. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

The Group's financial assets include loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. Subsequent measurement of the financial assets is as follows:

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically, trade and other receivables and cash and cash equivalents are classified in this category.

#### Held-to-maturity financial assets

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. Financial assets that upon initial recognition are designated as at fair value through profit or loss or available-for-sale and those that meet the definition of loans and receivables are not classified in this category. These assets are carried at amortised costs using the effective interest method minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process. Impairment losses recognised in profit or loss are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss. Non-current investments in bonds and debt securities are usually classified in this category.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Financial assets (cont'd)

#### Available-for-sale financial assets

These are non-derivative financial assets that are designated as available-for-sale on initial recognition or are not classified in any of the other categories. These assets are carried at fair value. Changes in fair value of available-for-sale financial assets (other than those relating to foreign exchange translation differences on monetary investments) are recognised in other comprehensive income and accumulated in a separate component of equity under the heading fair value reserve. Such reserves are reclassified to profit or loss when realised through disposal. When there is objective evidence that the asset is impaired, the cumulative loss is reclassified from equity to profit or loss as a reclassification adjustment. A significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment. If, in a subsequent period, the fair value of an equity instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss, it is reversed against fair value reserve and is not subsequently reversed through profit or loss. However, for debt instruments classified as available-for-sale, impairment losses recognised in profit or loss are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss. For non-equity instruments classified as available-for-sale, the reversal of impairment is recognised in profit or loss. The financial assets are classified as non-current assets unless management intends to dispose of the investments within 12 months of the end of the reporting period. Usually, non-current investments in equity shares and debt securities are classified in this category but it does not include subsidiaries, joint ventures, or associates. Unquoted investments are stated at cost less allowance for impairment in value where there are no market prices, and management is unable to establish fair value by using valuation techniques except that where management can establish fair value by using valuation techniques, the relevant unquoted investments are stated at fair value. For unquoted equity instruments, impairment losses are not reversed.

Changes in the fair value of non-functional currency denominated investments classified as available-for-sale are analysed between translation differences and other changes in the carrying amount of the investments. The translation differences on monetary investments are recognised in profit or loss measured based on the amortised cost of the monetary investments; translation differences on non-monetary investments are recognised in other comprehensive income. Interest income calculated using the effective interest method and dividends are recognised in profit or loss. Other changes in the carrying amount of the investments classified as available-for-sale are recognised in other comprehensive income.

### Cash and cash equivalents

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

### Classification of equity and liabilities

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Treasury shares

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

### Financial liabilities

A financial liability is recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. 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. Financial liabilities including bank and other borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

The Group's financial liabilities include liabilities at fair value through profit or loss and other financial liabilities. Subsequent measurement of the financial liabilities is as follows:

#### Liabilities at fair value through profit or loss

Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. Financial guarantee contracts if significant are initially recognised at fair value and are subsequently measured at the greater of (a) the amount measured in accordance with FRS 37 Provisions, Contingent Liabilities and Contingent Assets and (b) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with FRS 18 Revenue. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred.

#### Other financial liabilities

All liabilities, which have not been classified as in the previous category, fall into this residual category. These liabilities are carried at amortised cost using the effective interest method. Trade and other payables and borrowings are usually classified in this category. Items classified within current trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 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.

### Income taxes

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

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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

### Construction contracts

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to certification of value of work performed to date. Where there is no certification of value available, the stage of completion is based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion. The estimates are made based on past experience and the work of specialists. The carrying amount of assets and liabilities arising from construction contracts at the end of the reporting year are disclosed in the notes on gross amount due from/to customers for contract work-in-progress.

### 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.

### Impairment of loans and receivables

An allowance is made for doubtful loans and receivables for estimated losses resulting from the subsequent inability of the counterparties to make required payments. If the financial conditions of the counterparties were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. To the extent that it is feasible, impairment and uncollectibility is determined individually for each specific counterparty. In cases where that process is not feasible, a collective evaluation of impairment is performed. At the end of each reporting period, the carrying amount of loans and receivables 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 loans and receivables at the end of the reporting year is disclosed in the notes on trade and other receivables and cash and cash equivalents.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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

### 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 and associates

When a subsidiary 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 and associates. The carrying amount of investments in subsidiaries and associates at the end of the reporting year is disclosed in the notes on investments in subsidiaries and investments in associates respectively.

### Impairment of available-for-sale financial assets

An available-for-sale financial asset is regarded as impaired when there has been a significant or prolonged decline in the fair value below cost. The determination of what is "significant" or "prolonged" requires significant judgement. In making this judgement, the Group would consider, among other factors, the magnitude by which the fair value of the investment is below cost, the duration of the decline and the financial health and business outlook of the investment. Actual outcomes could vary from these judgements. The carrying amount of available-for-sale financial assets at the end of the reporting year is disclosed in the note on other investments.

### Held-to-maturity investment

The classification of this non-derivative financial asset with fixed or determinable payments and fixed maturity as held-to-maturity investment requires significant judgement. Judgement is required in evaluating management's intention and ability to hold the investment to maturity. If this investment is not kept to maturity other than for specific circumstances, the investment is required to be reclassified and would therefore be measured at fair value and not at amortised cost. The accounting treatment would then be as for financial asset at fair value through profit or loss or as available-for-sale financial asset. The carrying amount of held-to-maturity investment at the end of the reporting year is disclosed in the note on other investments.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 4. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

FRS 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 and associates within the Group and related parties comprise directors of the Company, key management personnel of the Group, entities in which directors of the Company have significant influence or control and entities in which the Company has equity interest.

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

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

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

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
<u>Associates</u>				
Sales	1,973	1,388	–	–
Purchases	4,232	4,315	–	–
Corporate fee income	284	259	284	259
Dividend income	150	680	150	680
<u>Related parties</u>				
Sales	146	254	–	–
Purchases	414	575	–	14
Corporate fee income	225	215	225	215
Dividend income	80	106	80	106

### Key management personnel compensation

	2017	Group	2016
	\$'000		\$'000
Salaries and other short-term employee benefits	7,669		8,405
Comprise amounts paid/payable to:			
– Directors of the Company	3,514		4,058
– Other key management personnel	4,155		4,347

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 2017

## 5. SEGMENT INFORMATION

Disclosure of information about the operating segments, products and services, geographical areas and major customers are made as required by FRS 108 Operating Segments. This disclosure standard has no impact on the reported results or financial position of the Group.

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

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

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

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated by the chief operating decision makers based on operating profit or loss. Income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 5. SEGMENT INFORMATION (CONT'D)

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

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# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 5. SEGMENT INFORMATION (CONT'D)

Group	Exhibitions and Thematic \$'000	Retail and Corporate Interiors \$'000	Research and Design \$'000	Alternative Marketing \$'000	Corporate and Others \$'000	Eliminations \$'000	Per Consolidated Financial Statements \$'000
<b>2016</b>							
<b>Revenue</b>							
External customers	151,435	150,486	15,083	12,703	–	–	329,707
Inter-segment (Note A)	7,653	3,789	170	1,505	–	(13,117)	–
Total revenue	159,088	154,275	15,253	14,208	–	(13,117)	329,707
<b>Results</b>							
Interest income	106	120	9	4	114	–	353
Interest expense	(99)	(497)	–	–	–	–	(596)
Amortisation of intangible asset	(45)	(46)	–	–	–	–	(91)
Amortisation of land use right	–	–	–	–	(243)	–	(243)
Bad trade debts written off	(58)	(146)	(2)	–	–	–	(206)
Depreciation of property, plant and equipment	(2,021)	(1,202)	(190)	(45)	(98)	–	(3,556)
Dividend income from available- for-sale financial asset	–	–	–	–	106	–	106
Gain on deemed disposal of interest in an associate	–	–	–	–	77	–	77
Impairment loss on held-to- maturity investment	–	–	–	–	(13)	–	(13)
Net gain on disposal of property, plant and equipment	11	36	–	32	–	–	79
Net (impairment loss)/write- back of impairment loss on doubtful trade receivables	(346)	(345)	–	5	–	–	(686)
Performance share scheme expense	(400)	–	(155)	(18)	–	–	(573)
Property, plant and equipment written off	(1)	(1)	–	–	(2)	–	(4)
Share of results of associates	350	(530)	(16)	–	–	–	(196)
Segment profit/(loss)	11,203	2,044	1,486	1,038	(1,421)	–	14,350

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 2017

## 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.

	<b>2017</b>	<b>Group</b>	<b>2016</b>
	\$'000		\$'000
Revenue by geographical location are as follows:			
South Asia *	163,428		180,799
North Asia **	92,282		98,030
Middle East	17,772		22,724
United States and Canada	15,971		15,921
Europe	14,602		10,228
Others	3,199		2,005
	<u>307,254</u>		<u>329,707</u>

\* Included revenue of \$110,347,000 (2016: \$132,329,000) for Singapore.

\*\* Included revenue of \$56,859,000 (2016: \$59,822,000) for People's Republic of China.

### *Information about major customers*

For the reporting years ended 31 December 2017 and 2016, 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

	<b>2017</b>	<b>Group</b>	<b>2016</b>
	\$'000		\$'000
Contract revenue	303,762		327,183
Sale of goods	3,171		2,287
Rental of equipment	321		237
	<u>307,254</u>		<u>329,707</u>

## 7. INTEREST INCOME

	<b>2017</b>	<b>Group</b>	<b>2016</b>
	\$'000		\$'000
Interest income from loans and receivables			
– Short-term deposits and bank balances	352		304
– Others	25		9
Interest income from held-to-maturity investment	32		40
	<u>409</u>		<u>353</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 8. OTHER INCOME

	Group	
	2017	2016
	\$'000	\$'000
Corporate fee income	509	474
Dividend income from available-for-sale financial asset	80	106
Gain on deemed disposal of interest in an associate	–	77
Net foreign exchange gain	–	318
Net gain on disposal of property, plant and equipment	1	79
Rental income	1,683	2,022
Service income	1,224	1,041
Write-back of impairment loss on doubtful trade receivables	43	9
Miscellaneous income	449	594
	3,989	4,720

## 9. EMPLOYEE BENEFITS EXPENSE

	Group	
	2017	2016
	\$'000	\$'000
Salaries, wages and bonuses	48,237	51,297
Contributions to defined contribution plans	4,093	4,173
(Write-back of provision for)/provision for unutilised leave	(103)	231
Directors' fees	619	567
Other employee benefits	2,179	2,259
	55,025	58,527

The Kingsmen Performance Share Scheme (the "KPSS") was approved and adopted by the members of the Company at an Extraordinary General Meeting of the Company held on 29 April 2009. The purpose of the KPSS is to provide an opportunity for (a) Group employees, (b) Group executive directors (which refers to directors of the Company and/or any of its subsidiaries, as the case may be, who performs an executive function within the Group), (c) Group non-executive directors (which refers to independent directors of the Company or directors of the Company and/or any of its subsidiaries, as the case may be, other than a Group executive director) and (d) associated company employees who have met performance targets to be remunerated through an equity stake in the Company and/or when due recognition should be given to any good work performance and/or significant contribution to the Group as well as for Group employees to receive part of their annual cash bonus payment in the form of shares of the Company. Persons eligible to participate in the KPSS who are also controlling shareholders of the Company or associates of a controlling shareholder of the Company would be eligible to participate in the KPSS subject to the rules of the Listing Manual of the Singapore Exchange Securities Trading Limited. Under the KPSS, an award of fully paid shares of the Company may only be vested and consequently any shares comprised in such awards shall only be delivered upon (i) the committee administering the KPSS (the "KPSS Committee") being satisfied that the participant has achieved the pre-determined performance targets and/or due recognition should be given for good work performance and/or significant contribution to the Group and/or (ii) the Company decides to pay a pre-determined percentage of a Group employee's annual cash bonus payment in the form of shares of the Company. The pre-determined performance targets for each participant and the pre-determined percentage of a Group employee's annual cash bonus payment in the form of shares of the Company shall be determined by the KPSS Committee in its absolute discretion.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 9. EMPLOYEE BENEFITS EXPENSE (CONT'D)

Included in salaries, wages and bonuses is an amount of \$113,000 (2016: \$573,000) 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 2017, an aggregate of 966,280 (2016: 1,437,900) performance shares were awarded to employees of the Group at an average fair value of \$0.600 (2016: \$0.695) per share. This includes 321,330 (2016: 832,770) performance shares that were awarded to key management personnel.

## 10. OTHER EXPENSES

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

	Group	
	2017	2016
	\$'000	\$'000
Amortisation of intangible asset	91	91
Amortisation of land use right	243	243
Audit fees		
– Auditors of the Company	182	179
– Other auditors	137	139
Bad trade debts written off	437	206
Impairment loss on doubtful trade receivables	21	695
Impairment loss on held-to-maturity investment	14	13
Net foreign exchange loss	1,641	–
Operating lease expenses	3,843	3,872
Property, plant and equipment written off	1	4
Selling and distribution expenses	1,211	1,128
Travelling and transport expenses	643	512
Upkeep and maintenance expenses	940	837
Utilities	446	488

## 11. INTEREST EXPENSE

	Group	
	2017	2016
	\$'000	\$'000
Interest expense on financial liabilities carried at amortised cost		
– Trust receipts, bank overdrafts and bank loans	533	594
– Obligations under finance leases	1	2
	534	596

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 12. INCOME TAX EXPENSE

	Group	
	2017	2016
	\$'000	\$'000
<u>Current tax expense</u>		
Current year tax expense	2,283	4,015
Over provision in respect of prior years	(1,191)	(1,432)
	<u>1,092</u>	<u>2,583</u>
<u>Deferred tax (income)/expense</u>		
Deferred tax (income)/expense (Note 21)	(96)	3
	<u>(96)</u>	<u>3</u>
Income tax expense	<u>996</u>	<u>2,586</u>

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 2017 and 2016 is as follows:

	Group	
	2017	2016
	\$'000	\$'000
Profit before tax	10,168	14,350
Add: Share of results of associates	(350)	196
	<u>9,818</u>	<u>14,546</u>
Tax at domestic tax rates applicable to profits in the countries where the Group operates *	2,428	3,260
Expenses not deductible for tax purposes	168	597
Benefits from previously unrecognised deferred tax assets	(33)	(113)
Tax exemptions and reliefs granted	(456)	(335)
Income not subjected to tax	(52)	(13)
Deferred tax assets not recognised	132	622
Over provision in respect of prior years	(1,191)	(1,432)
Income tax expense	<u>996</u>	<u>2,586</u>
Effective tax rate	<u>10.1%</u>	<u>17.8%</u>

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



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 13. EARNINGS PER SHARE

Basic earnings per share of the Group for the reporting year ended 31 December 2017 is calculated by dividing the Group's profit net of tax attributable to equity holders of the Company of \$9,741,000 (2016: \$11,896,000) by the weighted average number of ordinary shares outstanding during the reporting year of 198,778,791 (2016: 197,663,484) which take into account the weighted average effect of changes in share capital and treasury share 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 2017 and 2016.

## 14. LAND USE RIGHT

	<b>Group and Company</b>	
	<b>2017</b>	<b>2016</b>
	\$'000	\$'000
<hr/>		
<u>Cost</u>		
At 1 January and 31 December	7,284	7,284
<u>Accumulated amortisation</u>		
At 1 January	303	60
Amortisation charge for the year	243	243
At 31 December	<u>546</u>	<u>303</u>
<u>Net carrying amount</u>		
At 31 December	<u>6,738</u>	<u>6,981</u>
Amount to be amortised		
– Not later than one year	243	243
– Later than one year and not later than five years	971	971
– Later than five years	5,524	5,767
	<u>6,738</u>	<u>6,981</u>

The Group has land use right over a plot of vacant land in Singapore which the Group is currently constructing a multi-storey building to serve as the Group's new headquarters. The land use right is not transferable and has a remaining tenure of 28 (2016: 29) years.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 15. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land \$'000	Buildings \$'000	Machinery and exhibition equipment \$'000	Office equipment, computers and software \$'000	Motor vehicles \$'000	Furniture and fittings \$'000	Renovations \$'000	Assets under construction \$'000	Total \$'000
<u>Cost</u>									
At 1 January 2016	6,883	8,671	12,241	5,160	1,621	636	3,614	599	39,425
Additions	–	–	1,440	613	298	89	831	1,303	4,574
Disposals/write-offs	–	–	(39)	(58)	(250)	(1)	–	–	(348)
Transferred from assets under construction	–	–	–	–	–	–	629	(629)	–
Reclassifications	–	–	400	(134)	–	(266)	–	–	–
Foreign exchange adjustments	(128)	(162)	(5)	7	(1)	(9)	(3)	–	(301)
At 31 December 2016	6,755	8,509	14,037	5,588	1,668	449	5,071	1,273	43,350
Additions	–	–	369	484	2	36	165	11,177	12,233
Disposals/write-offs	–	–	(27)	(206)	–	(25)	(255)	–	(513)
Foreign exchange adjustments	161	203	(115)	(140)	(53)	(1)	(130)	–	(75)
At 31 December 2017	6,916	8,712	14,264	5,726	1,617	459	4,851	12,450	54,995
<u>Accumulated depreciation</u>									
At 1 January 2016	–	303	8,680	3,281	643	264	2,302	–	15,473
Depreciation charge for the year	–	176	1,637	922	244	48	529	–	3,556
Disposals/write-offs	–	–	(37)	(54)	(225)	(1)	–	–	(317)
Reclassifications	–	–	66	(26)	–	(40)	–	–	–
Foreign exchange adjustments	–	(12)	14	20	(1)	(4)	11	–	28
At 31 December 2016	–	467	10,360	4,143	661	267	2,842	–	18,740
Depreciation charge for the year	–	169	1,603	559	228	51	525	–	3,135
Disposals/write-offs	–	–	(27)	(142)	–	(2)	(204)	–	(375)
Foreign exchange adjustments	–	16	163	(103)	(27)	2	(92)	–	(41)
At 31 December 2017	–	652	12,099	4,457	862	318	3,071	–	21,459
<u>Net carrying amount</u>									
At 31 December 2016	6,755	8,042	3,677	1,445	1,007	182	2,229	1,273	24,610
At 31 December 2017	6,916	8,060	2,165	1,269	755	141	1,780	12,450	33,536

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# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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

Company	Office equipment, computers and software \$'000	Motor vehicle \$'000	Furniture and fittings \$'000	Renovations \$'000	Asset under construction \$'000	Total \$'000
<u>Cost</u>						
At 1 January 2016	426	7	21	115	25	594
Additions	14	-	-	-	1,248	1,262
Disposals/write-offs	(14)	-	-	-	-	(14)
At 31 December 2016	426	7	21	115	1,273	1,842
Additions	12	-	2	-	11,177	11,191
Disposals/write-offs	(6)	-	-	-	-	(6)
At 31 December 2017	432	7	23	115	12,450	13,027
<u>Accumulated depreciation</u>						
At 1 January 2016	296	5	6	74	-	381
Depreciation charge for the year	51	1	3	13	-	68
Disposals/write-offs	(11)	-	-	-	-	(11)
At 31 December 2016	336	6	9	87	-	438
Depreciation charge for the year	25	1	3	13	-	42
Disposals/write-offs	(6)	-	-	-	-	(6)
At 31 December 2017	355	7	12	100	-	474
<u>Net carrying amount</u>						
At 31 December 2016	90	1	12	28	1,273	1,404
At 31 December 2017	77	-	11	15	12,450	12,553

Depreciation expense is charged as follows:

	Group	
	2017 \$'000	2016 \$'000
Cost of sales	1,134	1,127
Operating expenses	2,001	2,429
Total	3,135	3,556

During the reporting year ended 31 December 2017, the Group acquired property, plant and equipment with an aggregate fair value of \$12,233,000 (2016: \$4,574,000), of which \$11,046,000 (2016: \$3,543,000) was acquired by means of cash payments. The balance of \$1,187,000 (2016: \$1,031,000) has not been paid and is recorded as part of other payables (2016: accrued operating expenses) under trade and other payables.

### *Asset held under finance lease*

As at 31 December 2016, the Group had a motor vehicle held under finance lease with a net carrying amount of \$8,000. The finance lease obligations have been discharged as of 31 December 2017.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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

### *Assets pledged as securities*

In addition to the motor vehicle held under finance lease, the Group's freehold land and buildings with an aggregate net carrying amount of \$6,916,000 (2016: \$6,755,000) and \$8,060,000 (2016: \$8,042,000) respectively are pledged as securities for certain banking facilities granted (Note 29).

## 16. INTANGIBLE ASSETS

Group	Goodwill \$'000	Customer relationships \$'000	Licence \$'000	Total \$'000
<u>Cost</u>				
At 1 January 2016	8,419	2,272	–	10,691
Foreign exchange adjustments	102	37	–	139
At 31 December 2016	8,521	2,309	–	10,830
Addition	–	–	1,337	1,337
Foreign exchange adjustments	(403)	(145)	–	(548)
At 31 December 2017	8,118	2,164	1,337	11,619
<u>Accumulated amortisation and impairment</u>				
At 1 January 2016	1,000	1,908	–	2,908
Amortisation charge for the year	–	91	–	91
Foreign exchange adjustments	–	37	–	37
At 31 December 2016	1,000	2,036	–	3,036
Amortisation charge for the year	–	91	–	91
Foreign exchange adjustments	–	(145)	–	(145)
At 31 December 2017	1,000	1,982	–	2,982
<u>Net carrying amount</u>				
At 31 December 2016	7,521	273	–	7,794
At 31 December 2017	7,118	182	1,337	8,637

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 under FRS 110 Consolidated Financial Statements in 2014.

The customer relationships were recognised upon the acquisition of Kingsmen (North Asia) Limited in 2007 and the accounting of Kingsmen Middle East LLC as a subsidiary under FRS 110 Consolidated Financial Statements in 2014 and are amortised over a period of 5 years and 6 years respectively. The customer relationship in relation to Kingsmen (North Asia) Limited was fully amortised in the reporting year ended 31 December 2012.

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 16. INTANGIBLE ASSETS (CONT'D)

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

	2017	Group	2016
	\$'000		\$'000
<hr/>			
<u>Name of subsidiary</u>			
– Kingsmen (North Asia) Limited	4,489		4,892
– Kingsmen Indochina Pte Ltd	689		689
– Kingsmen Middle East LLC	2,122		2,213
– Kingsmen Xperience, Inc.	1,337		–
Net carrying amount at end of the year	<u>8,637</u>		<u>7,794</u>

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

- Budgeted gross margins are estimated based on values achieved in the past years or values expected to be achieved. These are generally adjusted over the budget period for anticipated changes in performance.
- The pre-tax discount rates applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flows beyond the three-year period were between 15.0% to 17.0% (2016: 12.4% to 19.0%) and 1.0% to 6.3% (2016: 1.0% to 6.2%) 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 2017, no impairment loss (2016: \$Nil) was recognised to write down the carrying amount of goodwill, customer relationships and licence attributable to the subsidiaries as the values in use were estimated to be higher than the respective carrying amounts.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	2016
	\$'000	\$'000
<u>Unquoted equity shares</u>		
Balance at beginning of the year	26,265	26,265
Addition	2,000	–
Balance at end of the year	28,265	26,265
Impairment loss	(550)	(550)
Carrying amount of investments	27,715	25,715

No impairment loss (2016: \$Nil) was recognised for the reporting year ended 31 December 2017 as the recoverable amounts were in excess of the carrying amounts.

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

<b>Name of subsidiary</b> <b>Country of incorporation and principal place of business</b> <b>Principal activities</b> <b>(Independent Auditor)</b>	<b>Percentage of effective equity interest held by the Group</b>	
	2017	2016
	%	%
<u>Held by the Company</u>		
Kingsmen Exhibits Pte Ltd Singapore Advertising contractors and agents and design and production of exhibitions, decorations and museums (RSM Chio Lim LLP)	100.00	100.00
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 2017

## 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	
	2017 %	2016 %
<u>Held by the Company (cont'd)</u>		
Kingsmen Indochina Pte Ltd Singapore Investment holding (RSM Chio Lim LLP)	90.00	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	–
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 (Kanaka Puradiredja, Suhartono)	95.00	95.00
Kingsmen Middle East LLC <sup>(a)</sup> United Arab Emirates Design and production of interiors, exhibitions, decorations and museums (Puthran Chartered Accountants)	55.51	55.51
<u>Held through Kingsmen Exhibits Pte Ltd</u>		
Kingsmen Environmental Graphics Pte Ltd Singapore Graphic design and production (RSM Chio Lim LLP)	100.00	100.00

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# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 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	
	2017	2016
	%	%
<u>Held through Kingsmen Projects Pte Ltd</u> K-Fix Holdings Pte Ltd Singapore Investment holding (RSM Chio Lim LLP)	100.00	–
K-Fix Production Sdn Bhd Malaysia Manufacturer, wholesaler and trader of interior and exhibition furniture, fixtures and displays (AA Associates)	100.00	100.00
K-Fix (Kunshan) Co Ltd. <sup>(b)</sup> People's Republic of China Manufacturer, wholesaler and trader of interior and exhibition furniture, fixtures and displays (Welsen Certified Public Accountants Co., Ltd.)	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
<u>Held through K-Fix Holdings Pte Ltd</u> K-Fix (Nantong) Co Ltd. <sup>(c)</sup> People's Republic of China Manufacturer, wholesaler and trader of interior and exhibition furniture, fixtures and displays (Incorporated in December 2017 and auditor had yet to be appointed)	100.00	–
<u>Held through Kingsmen Ooh-media Pte Ltd</u> I-Promo Pte Ltd Singapore Design consultancy, projects and events management and provision of special design and construction facilities to exhibitors (RSM Chio Lim LLP)	70.00	70.00
<u>Held through Kingsmen Indochina Pte Ltd</u> Kingsmen Vietnam Co., Ltd Vietnam Design and production of interiors, exhibitions, decorations and museums (PwC (Vietnam) Limited)	90.00	90.00



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 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	
	2017 %	2016 %
<u>Held through Kingsmen Ventures Pte Ltd</u> 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	–
<u>Held through Kingsmen Sdn Bhd</u> Kingsmen Keb Designers & Producers Sdn Bhd Malaysia Design and production of interiors, exhibitions, decorations and museums (RSM Malaysia)	71.00	71.00
Kingsmen-Keb Systems Sdn Bhd Malaysia Design and production of interiors, exhibitions, decorations and museums (RSM Malaysia)	71.00	71.00
<u>Held through Kingsmen (North Asia) Limited</u> Kingsmen Hong Kong Limited Hong Kong Design and production of interiors, exhibitions, decorations and museums (RSM Hong Kong)	96.00	96.00
Kingsmen Beijing Co., Limited <sup>(d)</sup> 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 <sup>(d)</sup> 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 <sup>(d)</sup> Taiwan Design and production of interiors, exhibitions, decorations and museums (Ecovis Taiwan)	93.00	93.00
Kingsmen Macau Limited <sup>(d)</sup> 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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 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	
	2017 %	2016 %
<u>Held through Kingsmen Hong Kong Limited</u> Kingsmen (Shenzhen) Co Ltd. <sup>(d)</sup> 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 requirements of FRS 110 Consolidated Financial Statements, 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 the adoption of FRS 110, Kingsmen Middle East LLC was accounted for as a 25% associate of the Group.

(b) The Group holds an effective equity interest of 100% (2016: 100%) in K-Fix (Kunshan) Co Ltd., of which 70% (2016: 70%) is held through Kingsmen Projects Pte Ltd and 30% (2016: 30%) is held through Kingsmen (North Asia) Limited.

(c) K-Fix (Nantong) Co Ltd. was incorporated in December 2017 by K-Fix Holdings Pte Ltd with a registered share capital of USD 12 million. As at 31 December 2017, K-Fix Holdings Pte Ltd has not made any capital contribution into K-Fix (Nantong) Co Ltd..

(d) For the purposes of the preparation of the Group's financial statements to comply with FRS, these subsidiaries are audited by RSM Hong Kong.

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 18. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<u>Unquoted equity shares, at cost</u>				
Balance at beginning and end of the year	3,273	3,273	3,166	3,166
<u>Unquoted preference shares, at cost</u>				
Balance at beginning and end of the year	264	264	264	264
<u>Share of post acquisition reserves</u>				
Balance at beginning of the year	2,575	3,374	–	–
Share of profit/(loss) for the year	350	(196)	–	–
Dividend income	(150)	(680)	–	–
Arising out of deemed disposal of interest	–	77	–	–
Balance at end of the year	2,775	2,575	–	–
Foreign exchange adjustments	21	(158)	–	–
Carrying amount of investments	6,333	5,954	3,430	3,430

No impairment loss (2016: \$Nil) was recognised for the reporting year ended 31 December 2017 as the recoverable amounts were 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	
	2017 %	2016 %
<u>Held by the Company</u>		
Ascend Com Pte. Ltd. Singapore Renting and selling audio-visual, computer and peripheral equipment (Plus LLP)	40.00	40.00
Kingsmen Korea Limited Korea Design and production of architectural interiors, decorations and museums (SEO 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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 18. 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	
	2017 %	2016 %
<u>Held by the Company (cont'd)</u>		
Enterprise Sports Group Pte Ltd Singapore Sports event marketing, public relations and organising (Fong S F & Associates)	30.00	30.00
<u>Held through Ascend Com Pte. Ltd.</u>		
Crescendo Media Pte Ltd Singapore Media production and event planning (Plus LLP)	16.00	16.00
<u>Held through Kingsmen Korea Limited</u>		
Kingsmen E&E Limited Korea Design and production of architectural interiors and decorations for museums and commercial interiors and alternative marketing (SEOU Accounting Corporation)	22.01	22.01
<u>Held through Kingsmen Nikko Limited</u>		
Kingsmen Project Japan Limited Japan Advertising contractors and agents and design and production of exhibitions, decorations and museums (Not required to be audited by the law of its country of incorporation)	24.00	24.00
<u>Held through Kingsmen Project Japan Limited</u>		
Kingsmen Architects and Design Limited Japan Design consultancy and planning management (Not required to be audited by the law of its country of incorporation)	24.00	24.00
<u>Held through Enterprise Sports Group Pte Ltd</u>		
ESG Endurance Sports Pte Ltd Singapore Sports event organising (Fong S F & Associates)	30.00	30.00
Enterprise Sports Singapore Pte Ltd Singapore Sports event marketing (Fong S F & Associates)	30.00	30.00

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# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 18. 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	
	2017 %	2016 %
<u>Held through ESG Endurance Sports Pte Ltd</u> Little Swim School Pte Ltd Singapore Private and public sports coaching and sale of sporting products (Fong S F & Associates)	24.00	24.00
<u>Held through Kingsmen Sdn Bhd</u> Kingsmen KEG Sdn Bhd Malaysia Design and production of interiors, exhibitions, decorations and museums (RSM Malaysia)	28.40	28.40
<u>Held through Kingsmen KEG Sdn Bhd</u> KEG Production Sdn Bhd Malaysia Manufacturer, wholesaler and trader of interior and exhibition furniture, fixtures and displays (RSM Malaysia)	17.04	17.04

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:

	2017 \$'000	2016 \$'000
Current assets	43,147	46,679
Non-current assets	8,739	9,649
Current liabilities	31,569	37,769
Non-current liabilities	1,324	1,225
Revenue	100,238	110,809
Profit/(loss) for the reporting year	1,487	(1,343)

### Deemed disposal of interests in an associate

Pursuant to Kingsmen Korea Limited's issuance of 20,490 new shares to a new shareholder in April 2016, the Group's effective equity interest in Kingsmen Korea Limited decreased to 24.46% (2015: 25.87%). The above resulted in the recognition of a gain recorded under other income as follows:

	2016 \$'000
Share of net assets arising from deemed disposal of interest	248
Less: Carrying amount of interest deemed disposed	(171)
Gain on deemed disposal of interest in an associate	77

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 19. OTHER INVESTMENTS

	Group and Company	
	2017	2016
	\$'000	\$'000
<b>Current</b>		
Held-to-maturity investment		
– 4% p.a. US bonds due on 23 October 2017 (quoted)	–	1,014
Current, total	–	1,014
<b>Non-current</b>		
Available-for-sale financial assets		
– Quoted equity shares	4,275	4,266
– Unquoted equity shares	38	38
Non-current, total	4,313	4,304
Current and non-current, total	4,313	5,318

The Group's investment in the 4% p.a. US bonds, with par value of \$1,000,000, matured during the reporting year ended 31 December 2017 and was redeemed. The fair value (Level 1) of the bonds, of which the issuer is from the financial services industry, was last determined to be \$1,014,000 based on the published market bid price at the end of the reporting year ended 31 December 2016. Consequently, the Group recognised an impairment loss of \$14,000 (2016: \$13,000) for the reporting year ended 31 December 2017.

The fair value (Level 1) of the Group's investment in quoted equity shares was determined to be \$4,275,000 (2016: \$4,266,000) based on the quoted market price at the end of the reporting year ended 31 December 2017. Hence, the Group recognised a change in fair value of available-for-sale financial asset of \$9,000 (2016: \$882,000) in other comprehensive income for the reporting year ended 31 December 2017.

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 Group does not intend to dispose of this investment in the foreseeable future.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Current</b>				
<u>Trade receivables</u>				
Non-related parties	83,541	95,582	–	–
Less: Impairment loss	(1,460)	(1,551)	–	–
Subsidiaries	–	–	1,070	1,055
Associates	2,865	1,546	51	39
Related parties	246	239	225	215
Sub-total	85,192	95,816	1,346	1,309
<u>Other receivables</u>				
Other receivables	4,396	4,320	561	217
Subsidiaries	–	–	863	1,226
Loan receivable from subsidiaries	–	–	3,056	3,069
Associates	14	31	14	31
Loan receivable from associates	1,605	548	–	–
Related parties	–	5	–	5
Staff advances and loans	567	737	–	–
Refundable deposits	2,633	3,273	1	1
Sub-total	9,215	8,914	4,495	4,549
Current, total	94,407	104,730	5,841	5,858
<b>Non-current</b>				
<u>Other receivables</u>				
Other receivables	139	759	–	–
Non-current, total	139	759	–	–
Current and non-current, total	94,546	105,489	5,841	5,858

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

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
At beginning of the year	1,551	1,028	–	–
Impairment loss for the year	21	695	–	–
Write-back of impairment loss	(43)	(9)	–	–
Write-off against impairment loss	(40)	(188)	–	–
Foreign exchange adjustments	(29)	25	–	–
At end of the year	1,460	1,551	–	–

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 20. TRADE AND OTHER RECEIVABLES (CONT'D)

Included in trade receivables is an amount of \$3,977,000 (2016: \$1,731,000) which relates to retention sums.

Except for an amount of \$775,000 (2016: \$600,000) under loan receivable from subsidiaries and an amount of \$15,000 (2016: \$7,000) under staff loans, the remaining current trade and other receivables are unsecured, non-interest bearing and repayable on demand in cash. The amount of \$775,000 (2016: \$600,000) under loan receivable from subsidiaries and the amount of \$15,000 (2016: \$7,000) under staff loans are unsecured, bear interest at 6.00% (2016: 6.00%) and 3.00% (2016: 3.00%) per annum respectively and are repayable on demand in cash.

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

## 21. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

Group	Consolidated Statement of Financial Position		Consolidated Statement of Profit or Loss and Other Comprehensive Income	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<u>Deferred tax assets</u>				
Excess of net book value of plant and equipment over tax values	(3)	(26)	23	25
Provisions	104	29	75	(21)
Unutilised tax losses	210	109	101	(182)
Others	230	314	(84)	28
	<u>541</u>	<u>426</u>		
<u>Deferred tax liabilities</u>				
Excess of net book value of plant and equipment over tax values	(320)	(305)	(15)	112
Provisions	87	86	1	47
Others	(163)	(155)	(8)	(20)
	<u>(396)</u>	<u>(374)</u>		
Foreign exchange adjustments			3	8
Deferred tax income/(expense) (Note 12)			<u>96</u>	<u>(3)</u>



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 21. DEFERRED TAX (CONT'D)

Company	Statement of Financial Position	
	2017 \$'000	2016 \$'000
<u>Deferred tax assets</u>		
Excess of net book value of plant and equipment over tax values	(18)	(22)
Provisions	11	12
Unutilised tax losses	68	57
	<u>61</u>	<u>47</u>

### *Unabsorbed tax losses and unutilised capital allowances*

As at 31 December 2017, the Group has unabsorbed tax losses and unutilised capital allowances totalling \$1,248,000 (2016: \$1,166,000) available for offset against future taxable profits of certain subsidiaries in which the tax losses and capital allowances arose, for which no deferred tax asset is recognised due to the uncertainty of its recoverability. These unabsorbed tax losses and unutilised capital allowances are available for offset against future taxable profits for an unlimited future period except for amounts of \$291,000, \$84,000, \$151,000 and \$221,000 (2016: \$126,000, \$295,000, \$85,000, \$153,000 and \$233,000) which expire in the reporting years ending 31 December 2018 to 2021 (2016: 31 December 2017 to 2021) respectively. The use of these tax losses and capital allowances is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation in which the subsidiaries operate.

### *Unrecognised temporary differences relating to investments in subsidiaries*

Deferred tax liabilities of \$1,459,000 (2016: \$1,501,000) have not been recognised for taxes that would be payable on the distribution of the undistributed earnings of certain subsidiaries for the reporting year ended 31 December 2017 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 \$2,987,000 (2016: \$2,972,000) proposed by the Company but not recognised as a liability in the financial statements as at the end of the reporting year (Note 31).

## 22. INVENTORIES

	Group	
	2017 \$'000	2016 \$'000
Project materials	<u>1,583</u>	<u>1,607</u>

Project materials recognised as cost of sales during the reporting year amounted to \$2,980,000 (2016: \$1,402,000).

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 23. GROSS AMOUNT DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK-IN-PROGRESS

	Group	
	2017	2016
	\$'000	\$'000
Contract costs incurred and recognised profits (less recognised losses) to date	63,326	55,513
Less: Progress billings to date	(55,202)	(42,439)
Net amount arising from construction contracts at end of the year	8,124	13,074
Presented in consolidated statement of financial position as:		
Gross amount due from customers for contract work-in-progress	15,454	23,595
Gross amount due to customers for contract work-in-progress	(7,330)	(10,521)
	8,124	13,074

## 24. OTHER ASSETS

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Income tax recoverable	55	98	–	–
Prepayments	1,020	1,004	94	174
	1,075	1,102	94	174

## 25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Cash at banks and in hand	60,048	60,027	2,288	1,631
Short-term deposits	13,561	16,128	1,085	8,410
Cash and cash equivalents in statement of financial position	73,609	76,155	3,373	10,041
Deposits pledged for bank facilities	(2,536)	(1,604)	(1,085)	(1,349)
Cash and cash equivalents for statement of cash flows	71,073	74,551	2,288	8,692

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 (2016: one month to one year) depending on the immediate cash requirements of the Group. The short-term deposits bear interest of 0.15% to 6.75% (2016: 0.15% to 7.00%) and 0.15% to 1.14% (2016: 0.15% to 1.40%) per annum for the Group and the Company respectively during the reporting year.

As at 31 December 2017, short-term deposits of \$2,536,000 (2016: \$1,604,000) and \$1,085,000 (2016: \$1,349,000) of the Group and the Company have been pledged to banks for banking facilities granted respectively.

# NOTES TO THE FINANCIAL STATEMENTS

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## 26. SHARE CAPITAL

	Group and Company				
	Number of ordinary shares issued	Number of treasury shares held	Share capital \$'000	Treasury shares \$'000	Total \$'000
At 1 January 2016	197,744,181	(825,000)	26,854	(523)	26,331
Purchase of treasury shares	–	(216,300)	–	(140)	(140)
Reissued pursuant to performance share scheme	–	1,041,300	–	663	663
Issued pursuant to performance share scheme	396,600	–	276	–	276
At 31 December 2016	198,140,781	–	27,130	–	27,130
Issued pursuant to performance share scheme	966,280	–	580	–	580
At 31 December 2017	199,107,061	–	27,710	–	27,710

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.

Treasury shares relate to ordinary shares of the Company that are held by the Company. The Company acquired Nil (2016: 216,300) treasury shares during the reporting year through purchases on the Singapore Exchange Securities Trading Limited. The total amount paid to acquire the treasury shares was \$Nil (2016: \$140,000). The Company also reissued Nil (2016: 1,041,300) treasury shares during the reporting year pursuant to its performance share scheme at an average fair value of \$Nil (2016: \$0.695) per treasury share.

### 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).

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 26. SHARE CAPITAL (CONT'D)

### Capital management (cont'd)

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.

## 27. OTHER RESERVES

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Fair value reserve	(323)	(332)	(323)	(332)
Foreign currency translation reserve	(3,066)	(1,825)	–	–
Statutory reserve fund	1,037	894	–	–
Gain on reissuance of treasury shares	1,886	1,886	1,886	1,886
Premium paid on acquisition of non-controlling interests	(3,827)	(3,827)	–	–
	<u>(4,293)</u>	<u>(3,204)</u>	<u>1,563</u>	<u>1,554</u>

### Fair value reserve

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
At beginning of the year	(332)	550	(332)	550
Change in fair value of available-for-sale financial asset	9	(882)	9	(882)
At end of the year	<u>(323)</u>	<u>(332)</u>	<u>(323)</u>	<u>(332)</u>

Fair value reserve represents the cumulative fair value changes of available-for-sale financial assets until the assets are derecognised or impaired.

### Foreign currency translation reserve

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
At beginning of the year	(1,825)	(1,426)	–	–
Exchange differences on translating foreign operations	(1,241)	(399)	–	–
At end of the year	<u>(3,066)</u>	<u>(1,825)</u>	<u>–</u>	<u>–</u>

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 27. OTHER RESERVES (CONT'D)

### Statutory reserve fund

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
At beginning of the year	894	793	–	–
Appropriation from retained earnings	143	101	–	–
At end of the year	<u>1,037</u>	<u>894</u>	<u>–</u>	<u>–</u>

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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
At beginning of the year	1,886	1,826	1,886	1,826
Gain on reissuance of treasury shares during the year taken to equity pursuant to performance share scheme	–	60	–	60
At end of the year	<u>1,886</u>	<u>1,886</u>	<u>1,886</u>	<u>1,886</u>

The Company reissued Nil (2016: 1,041,300) treasury shares during the reporting year pursuant to its performance share scheme at an average fair value of \$Nil (2016: \$0.695) per treasury share. The excess of the average fair value of \$Nil (2016: \$0.695) per treasury share over the weighted average cost of \$Nil (2016: \$0.637) 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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
At beginning and end of the year	<u>(3,827)</u>	<u>(3,827)</u>	<u>–</u>	<u>–</u>

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# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 28. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>				
<u>Trade payables</u>				
Non-related parties	64,314	65,367	–	–
Associates	2,001	1,400	–	–
Related parties	149	156	–	–
Accrued project costs	11,295	22,864	–	–
Sub-total	77,759	89,787	–	–
<u>Other payables</u>				
Other payables	8,430	7,287	1,618	268
Subsidiaries	–	–	10	7
Associates	12	6	6	–
Provision for unutilised leave	989	1,133	66	71
Accrued operating expenses	9,488	12,211	1,138	2,112
Deposits received	138	236	14	14
Sub-total	19,057	20,873	2,852	2,472
Current, total	96,816	110,660	2,852	2,472
<b>Non-current</b>				
<u>Other payables</u>				
Post-employment benefits	1,195	1,245	–	–
Non-current, total	1,195	1,245	–	–
Current and non-current, total	98,011	111,905	2,852	2,472

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

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

Included in post-employment benefits is an amount of \$317,000 (2016: \$276,000) which relates to an unfunded defined benefit plan for qualifying employees of the Group's subsidiary in Indonesia. Under the plan, the employees are entitled to post-employment benefits for every year of employment served having fulfilled certain conditions. The plan is not held separately by an independent administered fund as the plan is not a funded arrangement.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 28. 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	
	2017	2016
	\$'000	\$'000
At beginning of the year	276	256
Current service cost	31	22
Past service cost of curtailment/settlement	1	–
Interest expense	12	10
Excess post employment benefit	1	–
Defined benefit plan actuarial loss/(gain)	14	(20)
Actual post employment payment	(17)	–
Effect of deferred tax	5	(7)
Foreign currency adjustments	(6)	15
At end of the year	<u>317</u>	<u>276</u>

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

	Group	
	2017	2016
Discount rate	7%	8%
Estimated future salary increase	5%	5%
Normal retirement age	<u>55 years</u>	<u>55 years</u>

## 29. OTHER FINANCIAL LIABILITIES

	Group	
	2017	2016
	\$'000	\$'000
<b>Current</b>		
Trust receipts	1,305	649
SGD term loan (A) at SOR + 1.25% p.a.	800	800
SGD term loan (B) at SOR + 1.25% p.a.	3,000	–
MYR term loan at 6.25% p.a.	589	543
MYR term loan at BLR – 2% p.a.	1,353	1,369
MYR term loan at BECOF + 1% p.a.	859	839
MYR term loan at BECOF + 1.5% p.a.	53	43
VND term loans at BLR + 2% p.a.	506	–
Finance lease	–	6
Current, total	<u>8,465</u>	<u>4,249</u>
<b>Non-current</b>		
SGD term loan (A) at SOR + 1.25% p.a.	1,334	2,134
MYR term loan at 6.25% p.a.	2,840	3,348
MYR term loan at BECOF + 1.5% p.a.	1,294	1,325
Non-current, total	<u>5,468</u>	<u>6,807</u>
Current and non-current, total	<u>13,933</u>	<u>11,056</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 29. OTHER FINANCIAL LIABILITIES (CONT'D)

	2017	Group 2016
The range of floating interest rates per annum paid/payable was as follows:		
Trust receipts	7.95% to 8.31%	7.95% to 8.46%
SGD term loan (A) at SOR + 1.25% p.a.	2.14% to 2.47%	2.31% to 2.80%
SGD term loan (B) at SOR + 1.25% p.a.	2.55%	–
MYR term loan at BLR – 2% p.a.	4.70% to 4.79%	4.70% to 4.96%
MYR term loan at BECOF + 1% p.a.	3.95% to 4.42%	3.49% to 3.95%
MYR term loan at BECOF + 1.5% p.a.	4.85% to 4.89%	4.84% to 5.18%
VND term loans at BLR + 2% p.a.	5.20%	8.88% to 10.56%

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

MYR term loan at 6.25% p.a.	6.25%	6.25%
Finance leases	10.90%	3.35% to 10.90%

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

The fair value of the Group's non-current MYR term loan at 6.25% p.a. is determined to be \$2,873,000 (2016: \$3,363,000) which is estimated by discounting expected future cash flows at market incremental lending rate for similar types of arrangements.

The details of the loans and borrowings are as follows:

### Trust receipts

The trust receipts are denominated in Malaysian Ringgit ("MYR"), bear interest at bank lending rate ("BLR") + 1.25% to 1.50% (2016: BLR + 1.25% to 1.50%) per annum and are fully repayable within the next twelve months. The trust receipts are secured by a first mortgage over freehold land and buildings with an aggregate net carrying amount of \$3,373,000 (2016: \$3,331,000), corporate guarantees given by the Company and a subsidiary, Kingsmen Sdn Bhd and personal guarantees given by certain directors of subsidiaries, Kingsmen-Keb Systems Sdn Bhd and Kingsmen Keb Designers & Producers Sdn Bhd.

### 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% (2016: 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 loan (B) at SOR + 1.25% p.a.

The SGD term loan (B) at SOR + 1.25% p.a. is denominated in SGD, bears interest at SOR + 1.25% (2016: Nil%) per annum and is fully repayable in 2018. The loan is secured by a corporate guarantee given by the Company.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 29. OTHER FINANCIAL LIABILITIES (CONT'D)

### 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% (2016: 6.25%) per annum and is fully repayable by 2023. The loan is secured by a first mortgage over freehold land and building with an aggregate net carrying amount of \$11,603,000 (2016: \$11,466,000), a corporate guarantee given by the Company and short-term deposits of \$197,000 (2016: \$193,000).

### MYR term loan at BLR – 2% p.a.

The callable MYR term loan at BLR – 2% p.a. is denominated in MYR, bears interest at BLR – 2% (2016: BLR – 2%) per annum and is fully repayable on demand. The loan is secured by a first mortgage over freehold land and building with an aggregate net carrying amount of \$1,671,000 (2016: \$1,651,000), a corporate guarantee given by a subsidiary, Kingsmen Sdn Bhd and personal guarantees given by certain directors of a subsidiary, Kingsmen-Keb Systems Sdn Bhd.

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

The MYR term loan at BECOF + 1% p.a. is denominated in MYR, bears interest at bank effective cost of funds ("BECOF") + 1% (2016: BECOF + 1%) per annum and is fully repayable in 2018. The loan is secured by a first mortgage over freehold land and building with an aggregate net carrying amount of \$11,603,000 (2016: \$11,466,000), a corporate guarantee given by the Company and short-term deposits of \$197,000 (2016: \$193,000).

### 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% (2016: BECOF + 1.5%) per annum and is fully repayable by 2031. The loan is secured by a first mortgage over freehold land and building with an aggregate net carrying amount of \$1,702,000 (2016: \$1,680,000), corporate guarantees given by the Company and a subsidiary, Kingsmen Sdn Bhd and personal guarantees given by certain directors of a subsidiary, Kingsmen Keb Designers & Producers 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% (2016: BLR + 2%) per annum and are fully repayable in 2018. The loans are secured by a corporate guarantee given by the Company.

### Finance lease

The Group had a finance lease for a motor vehicle of which the amount of finance lease obligations, secured by way of a legal mortgage on the underlying asset, was fully repaid during the reporting year ended 31 December 2017 (Note 15). There was no restriction placed upon the Group by entering into the lease. The lease period was 48 months. The average effective interest rate implicit in the lease was 10.90% (2016: 10.90%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 29. OTHER FINANCIAL LIABILITIES (CONT'D)

### Finance lease (cont'd)

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

	Group			
	2017	2017	2016	2016
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	\$'000	\$'000	\$'000	\$'000
Not later than one year, representing total minimum lease payments	–	–	7	6
Less: Amounts representing finance charges	–	–	(1)	–
Present value of minimum lease payments	–	–	6	6

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

	Group Non-cash changes				
	2016	Cash flows	Foreign exchange movement	Other	2017
	\$'000	\$'000	\$'000	\$'000	\$'000
Loans and borrowings					
– current	4,243	2,690	105	1,427	8,465
– non-current	6,807	–	88	(1,427)	5,468
Finance lease					
– current	6	(6)	–	–	–
	<u>11,056</u>	<u>2,684</u>	<u>193</u>	<u>–</u>	<u>13,933</u>

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

## 30. OTHER LIABILITIES

	Group	
	2017	2016
	\$'000	\$'000
Deferred advance billing income	2,367	2,025
Provision for performance share scheme	122	582
	<u>2,489</u>	<u>2,607</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 31. DIVIDENDS

	<b>Group and Company</b>	
	<b>2017</b>	<b>2016</b>
	\$'000	\$'000
<u>Declared and paid during the year</u>		
Dividends on ordinary shares		
– Final tax exempt one-tier dividend for 2016: \$0.015 (2015: \$0.020) per ordinary share	2,987	3,963
– Interim tax exempt one-tier dividend for 2017: \$0.010 (2016: \$0.010) per ordinary share	1,991	1,981
	<u>4,978</u>	<u>5,944</u>
<u>Proposed but not recognised as a liability as at 31 December</u>		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting		
– Final tax exempt one-tier dividend for 2017: \$0.015 (2016: \$0.015) per ordinary share	2,987	2,972

## 32. 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:

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	\$'000	\$'000	\$'000	\$'000
<u>Financial assets</u>				
Loans and receivables				
– Trade and other receivables	94,546	105,489	5,841	5,858
– Cash and cash equivalents	73,609	76,155	3,373	10,041
Available-for-sale financial assets				
– Quoted equity shares	4,275	4,266	4,275	4,266
– Unquoted equity shares	38	38	38	38
Held-to-maturity investment				
– 4% p.a. US bonds due on 23 October 2017 (quoted)	–	1,014	–	1,014
At end of the year	<u>172,468</u>	<u>186,962</u>	<u>13,527</u>	<u>21,217</u>
<u>Financial liabilities</u>				
Financial liabilities at amortised cost				
– Trade and other payables	98,011	111,905	2,852	2,472
– Other financial liabilities	13,933	11,056	–	–
At end of the year	<u>111,944</u>	<u>122,961</u>	<u>2,852</u>	<u>2,472</u>

Further quantitative disclosures are included throughout these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 32. 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.

#### Credit risk on financial assets

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's cash and cash equivalents, trade and other receivables and other investments. The maximum exposure to credit risk is the total of the fair values of the financial instruments.

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 25 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 19 discloses the maturity of the other investments balances.

For credit risk on trade receivables, an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss where necessary. The Group's exposure to credit risk on trade receivables 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. Other than as disclosed below, there is no significant concentration of credit risk on trade receivables as the exposure is spread over a large number of customers. 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 (2016: 60 to 90) days.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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

### Financial risk management (cont'd)

#### Credit risk on financial assets (cont'd)

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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Past due less than 30 days	3,794	2,020	67	–
Past due 31 to 60 days	1,525	2,014	–	–
Past due 61 to 90 days	1,921	1,022	366	473
Past due over 90 days	13,263	9,411	413	312
	<u>20,503</u>	<u>14,467</u>	<u>846</u>	<u>785</u>

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

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Past due over 365 days	<u>1,460</u>	<u>1,551</u>	–	–

As at the end of the reporting year, approximately 9% (2016: 14%) and 61% (2016: 55%) of the Group and the Company's trade receivables are due from three customers as follows:

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Top 1 customer	3,242	6,387	536	424
Top 2 customer	2,689	4,595	148	148
Top 3 customer	<u>2,080</u>	<u>2,619</u>	<u>134</u>	<u>148</u>

#### Liquidity risk – financial liabilities maturity analysis

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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

### Financial risk management (cont'd)

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

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

Group	Due less than 1 year \$'000	Due within 2 – 5 years \$'000	Due after 5 years \$'000	Total \$'000
<b>2017</b>				
Trade and other payables	96,816	1,195	–	98,011
Other financial liabilities	9,462	4,992	1,412	15,866
At end of the year	106,278	6,187	1,412	113,877
<b>2016</b>				
Trade and other payables	110,660	1,245	–	111,905
Other financial liabilities	5,315	5,922	2,367	13,604
At end of the year	115,975	7,167	2,367	125,509

The Company's financial liabilities consist only of trade and other payables which have a contractual maturity of within one year. The undiscounted cash flows of the trade and other payables amounted to \$2,852,000 (2016: \$2,472,000).

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 (2016: 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 2017

## 32. 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
<b>Group</b>				
<b>2017</b>				
Financial guarantee contracts	28,317	8,806	1,117	38,240
<b>2016</b>				
Financial guarantee contracts	16,995	12,339	1,958	31,292
<b>Company</b>				
<b>2017</b>				
Financial guarantee contracts	26,808	8,806	1,117	36,731
<b>2016</b>				
Financial guarantee contracts	15,473	12,339	1,958	29,770

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

#### Interest rate risk

The Group's exposure to interest rate risk relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Group on an 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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<u>Financial assets</u>				
Fixed rate	13,576	17,149	1,860	10,024
Floating rate	49,418	53,455	2,180	1,532
	62,994	70,604	4,040	11,556
<u>Financial liabilities</u>				
Fixed rate	3,429	3,897	–	–
Floating rate	10,504	7,159	–	–
	13,933	11,056	–	–

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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

### Financial risk management (cont'd)

#### Interest rate risk (cont'd)

##### Sensitivity analysis

For the floating rate financial assets and liabilities, a hypothetical increase of 100 (2016: 100) basis points in interest rate at the end of the reporting year would increase pre-tax profit for the reporting year by the amounts shown below. A decrease of 100 (2016: 100) basis points in interest rate would have an equal but opposite effect. This analysis assumes all other variables remain constant.

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Pre-tax profit for the reporting year	389	463	22	15

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

#### Foreign currency risk

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

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
<b>2017</b>							
<u>Financial assets</u>							
Trade and other receivables	11	2,843	937	–	44	811	4,646
Cash and cash equivalents	1,802	9,179	514	–	1,051	213	12,759
Quoted equity shares	–	–	–	4,275	–	–	4,275
Unquoted equity shares	–	–	–	–	–	38	38
Total financial assets	1,813	12,022	1,451	4,275	1,095	1,062	21,718
<u>Financial liabilities</u>							
Trade and other payables	28	412	131	–	83	198	852
Other financial liabilities	–	–	–	–	–	–	–
Total financial liabilities	28	412	131	–	83	198	852
Net financial assets	1,785	11,610	1,320	4,275	1,012	864	20,866



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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

### Financial risk management (cont'd)

#### Foreign currency risk (cont'd)

<b>Group</b>	<b>SGD</b> \$'000	<b>USD</b> \$'000	<b>HKD</b> \$'000	<b>THB</b> \$'000	<b>RMB</b> \$'000	<b>Others</b> \$'000	<b>Total</b> \$'000
<b>2016</b>							
<u>Financial assets</u>							
Trade and other receivables	33	5,891	236	–	857	1,514	8,531
Cash and cash equivalents	1,392	11,942	974	–	847	26	15,181
Quoted equity shares	–	–	–	4,266	–	–	4,266
Unquoted equity shares	–	–	–	–	–	38	38
Total financial assets	1,425	17,833	1,210	4,266	1,704	1,578	28,016
<u>Financial liabilities</u>							
Trade and other payables	37	398	153	–	449	577	1,614
Other financial liabilities	–	–	–	–	–	–	–
Total financial liabilities	37	398	153	–	449	577	1,614
Net financial assets	1,388	17,435	1,057	4,266	1,255	1,001	26,402
<b>Company</b>							
			<b>USD</b> \$'000	<b>THB</b> \$'000	<b>AED</b> \$'000	<b>Others</b> \$'000	<b>Total</b> \$'000
<b>2017</b>							
<u>Financial assets</u>							
Trade and other receivables			147	–	2,281	110	2,538
Cash and cash equivalents			11	–	–	–	11
Quoted equity shares			–	4,275	–	–	4,275
Unquoted equity shares			–	–	–	38	38
Total financial assets			158	4,275	2,281	148	6,862
<u>Financial liabilities</u>							
Trade and other payables			–	–	–	–	–
Other financial liabilities			–	–	–	–	–
Total financial liabilities			–	–	–	–	–
Net financial assets			158	4,275	2,281	148	6,862

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# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 32. 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
<b>2016</b>					
<u>Financial assets</u>					
Trade and other receivables	401	–	2,469	–	2,870
Cash and cash equivalents	–	–	–	–	–
Quoted equity shares	–	4,266	–	–	4,266
Unquoted equity shares	–	–	–	38	38
Total financial assets	401	4,266	2,469	38	7,174
<u>Financial liabilities</u>					
Trade and other payables	–	–	–	–	–
Other financial liabilities	–	–	–	–	–
Total financial liabilities	–	–	–	–	–
Net financial assets	401	4,266	2,469	38	7,174

#### Sensitivity analysis

A hypothetical 3% (2016: 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% (2016: 3%) weakening of the above currencies against the functional currency of the respective entities of the Group would have an equal but opposite effect. This analysis assumes all other variables remain constant.

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Pre-tax profit for the reporting year	626	792	206	215

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 2017

## 32. 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 \$4,275,000 (2016: \$4,266,000) at the end of the reporting year. The investment in quoted equity shares is classified as an available-for-sale financial asset as disclosed in Note 19. The quoted equity shares are traded on the Market for Alternative Investment of the Stock Exchange of Thailand.

#### Sensitivity analysis

A hypothetical 5% (2016: 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% (2016: 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.

	<b>Group and Company</b>	
	<b>2017</b>	<b>2016</b>
	\$'000	\$'000
Other comprehensive income for the reporting year	214	213

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

## 33. CAPITAL EXPENDITURE COMMITMENTS

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

	<b>Group and Company</b>	
	<b>2017</b>	<b>2016</b>
	\$'000	\$'000
Commitments in respect of the construction of building	11,605	22,452

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# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 34. OPERATING LEASE PAYMENT COMMITMENTS – AS LESSEE

The Group has entered into lease agreements for office premises and equipment. These leases, of which some are cancellable, have remaining lease terms of between 1 to 6 (2016: 1 to 5) years and some of these leases have renewal options or escalation clauses included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

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

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Not later than one year	3,350	3,946	1,922	1,922
Later than one year and not later than five years	2,312	4,013	649	2,556
Later than five years	51	–	–	–
	<u>5,713</u>	<u>7,959</u>	<u>2,571</u>	<u>4,478</u>

## 35. OPERATING LEASE INCOME COMMITMENTS – AS LESSOR

The Group has entered into lease agreements for office premises and machinery. These non-cancellable leases have remaining lease terms of 1 and 2 (2016: 2 and 3) years with no renewal option or escalation clauses included in the contracts.

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

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Not later than one year	1,599	1,534	1,279	2,088
Later than one year and not later than five years	475	2,052	286	1,565
	<u>2,074</u>	<u>3,586</u>	<u>1,565</u>	<u>3,653</u>

## 36. CONTINGENT LIABILITIES

The Group has provided corporate guarantees to banks amounting to \$38,240,000 (2016: \$31,292,000) in connection with banking facilities granted to its subsidiaries.

## 37. 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 FRS that are effective for annual periods beginning on or after 1 January 2017. The adoption of these FRS 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 38. FULL CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AND ADOPTION OF NEW STANDARDS

The Singapore Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange Securities Trading Limited will apply a new financial reporting framework identical to the International Financial Reporting Standards for the reporting year ending 31 December 2018 onwards.

On transition to the new financial reporting framework, the Group expects to elect the option to deem cumulative translation differences for foreign operations to be zero on 1 January 2017, and accordingly, the gain or loss that will be recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 January 2017. The Group expects to reclassify an amount of \$1,825,000 of foreign currency translation reserve to the opening retained earnings as at 1 January 2017.

Other than the effects of the matter as described above, the Group expects that the adoption of the new financial reporting framework will have no material impact on the financial statements in the period of initial application.

In addition to the adoption of the new financial reporting framework, the Group will apply the Singapore Financial Reporting Standards (International) ("SFRS(I)") with effect from annual periods beginning on or after 1 January 2018.

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

SFRS(I)/ SFRS(I) INT No.	Title	Effective date for periods beginning on or after
SFRS(I) 1	First-time Adoption of Singapore Financial Reporting Standards (International)	1 January 2018
SFRS(I) 2	Amendments to SFRS(I) 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
SFRS(I) 9	Financial Instruments Illustrative Examples Implementation Guidance Amendments to Guidance on Other Standards	1 January 2018
SFRS(I) 15	Revenue from Contracts with Customers Illustrative Examples	1 January 2018
SFRS(I) 15	Amendments to SFRS(I) 15: Clarifications to SFRS(I) 15 Revenue from Contracts with Customers	1 January 2018
SFRS(I) INT 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
SFRS(I) 1-28	Long-term Interests in Associates and Joint Ventures	1 January 2019
SFRS(I) 9	Amendments to SFRS(I) 9: Prepayment Features with Negative Compensation	1 January 2019
SFRS(I) 16	Leases Illustrative Examples Amendments to Guidance on Other Standards	1 January 2019
SFRS(I) INT 23	Uncertainty over Income Tax Treatments Illustrative Examples	1 January 2019
SFRS(I) 10 and SFRS(I) 1-28	Amendments to SFRS(I) 10 and SFRS(I) 1-28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## **38. FULL CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AND ADOPTION OF NEW STANDARDS (CONT'D)**

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

### SFRS(I) 16 Leases

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

# 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
Under construction <sup>(1)</sup>	Private Lot A3004218 at Plot 19 in Changi Business Park Singapore	56,521 (Land) (No built-in)	30 years, expiring on 30 November 2045

**Note:**

(1) This piece of land is under construction for a multi-storey building which will serve as the Group's new headquarters. The temporary occupation permit is expected to be obtained in 2018.

# STATISTICS OF SHAREHOLDINGS

AS AT 19 MARCH 2018

<b>Number of issued shares</b>	:	199,107,061
<b>Class of shares</b>	:	Ordinary share
<b>Voting rights</b>	:	One vote per ordinary share

## TREASURY SHARES AND SUBSIDIARY HOLDINGS

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

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 99	3	0.16	120	0.00
100 – 1,000	137	7.39	100,125	0.05
1,001 – 10,000	907	48.89	5,285,010	2.65
10,001 – 1,000,000	786	42.37	38,904,216	19.54
1,000,001 and above	22	1.19	154,817,590	77.76
Total	1,855	100.00	199,107,061	100.00

## TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	ISLANDA PTE. LTD.	37,993,060	19.08
2.	O-VEST PTE. LTD.	37,993,060	19.08
3.	DBS NOMINEES (PRIVATE) LIMITED	12,856,999	6.46
4.	CITIBANK NOMINEES SINGAPORE PTE LTD	9,137,400	4.59
5.	SOH SIAK POH BENEDICT	8,540,849	4.29
6.	SIMON ONG CHIN SIM	8,340,830	4.19
7.	RAFFLES NOMINEES (PTE) LIMITED	4,432,600	2.23
8.	PEOK CHONG ENG	4,122,479	2.07
9.	CHONG SIEW LING	4,104,731	2.06
10.	CHONG FOOK SENG PATRICK	4,014,000	2.02
11.	ONG CHIN KWAN	3,622,650	1.82
12.	JONATHAN CHADWICK	2,400,000	1.21
13.	CHEONG CHAI KENG	2,275,038	1.14
14.	TAN AI LIN	2,245,573	1.13
15.	NG KWONG CHONG OR LIU OI FUI IVY	2,140,500	1.07
16.	TAY KAY SOCK GERALD	1,970,349	0.99
17.	UOB KAY HIAN PRIVATE LIMITED	1,940,200	0.97
18.	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,500,442	0.75
19.	ABN AMRO CLEARING BANK N.V.	1,373,800	0.69
20.	HSBC (SINGAPORE) NOMINEES PTE LTD	1,371,780	0.69
	TOTAL	152,376,340	76.53



# STATISTICS OF SHAREHOLDINGS

AS AT 19 MARCH 2018

## SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Soh Siak Poh Benedict <sup>(1)</sup>	8,540,849	4.29	37,993,060	19.08
Simon Ong Chin Sim <sup>(2)</sup>	8,340,830	4.19	37,993,060	19.08
Islanda Pte. Ltd.	37,993,060	19.08	–	–
O-Vest Pte. Ltd.	37,993,060	19.08	–	–
Png Geok Choo Rose <sup>(1)</sup>	–	–	37,993,060	19.08
Soh E-Ling Marianne <sup>(1)</sup>	–	–	37,993,060	19.08
Soh Hsien Wern Gavin <sup>(1)</sup>	–	–	37,993,060	19.08
Jillian Soh E-Ping <sup>(1)</sup>	–	–	37,993,060	19.08
Vera Ong Lim Guek Noi <sup>(2)</sup>	–	–	37,993,060	19.08
Ong Mei Lin Elita <sup>(2)</sup>	–	–	37,993,060	19.08

### 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 19 March 2018, approximately 42.69% of the issued ordinary shares (excluding treasury shares and subsidiary holdings) of the Company are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

# NOTICE OF FIFTEENTH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Fifteenth Annual General Meeting of Kingsmen Creatives Ltd. (the "**Company**") will be held at 3 Changi South Lane, Kingsmen Creative Centre, Singapore 486118 on Friday, 27 April 2018 at 10.00 a.m. (the "**Annual General Meeting**") for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2017 together with the Auditors' Report thereon. **(Resolution 1)**
2. To declare a final tax exempt one-tier dividend of 1.5 Singapore cents per ordinary share for the financial year ended 31 December 2017. **(Resolution 2)**
3. To re-elect the following Directors of the Company retiring pursuant to Regulation 107 of the Constitution of the Company:  

Mr. Simon Ong Chin Sim	<b>(Resolution 3)</b>
Mr. Alex Wee Huat Seng	<b>(Resolution 4)</b>
Mr. Tan Cher Liang	<b>(Resolution 5)</b>

*[See Explanatory Note (i)]*
4. To approve the payment of Directors' fees of S\$265,000 for the financial year ended 31 December 2017 (2016: S\$234,775). **(Resolution 6)**
5. To re-appoint RSM Chio Lim LLP as the Company's Auditors and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**
6. To transact any other ordinary business which may properly be transacted at an annual general meeting.

## AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

### 7. **Authority to allot and issue shares in the capital of the Company – Share Issue Mandate**

"That, pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore (the "**Companies Act**") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company shall in their absolute discretion deem fit; and

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# NOTICE OF FIFTEENTH ANNUAL GENERAL MEETING

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

provided that:

- (1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) and convertible securities to be issued pursuant to this Resolution shall not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to the shareholders of the Company shall not exceed twenty per cent. (20%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares and convertible securities that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
- (a) new Shares arising from the conversion or exercise of convertible securities;
  - (b) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual of the SGX-ST; and
  - (c) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST as amended from time to time (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier."

*[See Explanatory Note (ii)]*

**(Resolution 8)**

## 8. Authority to allot and issue Shares under the Kingsmen Performance Share Scheme

"That pursuant to Section 161 of the Companies Act, the Directors of the Company be and are hereby authorised and empowered to grant awards in accordance with the Kingsmen Performance Share Scheme and allot and issue from time to time such number of Shares to the holders of awards granted by the Company under the Kingsmen Performance Share Scheme upon the vesting of such share awards in accordance with the terms and conditions of the Kingsmen Performance Share Scheme, provided always that the aggregate number of Shares issued and issuable pursuant to the Kingsmen Performance Share Scheme and any other share based incentive schemes of the Company shall not exceed fifteen per cent. (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time."

*[See Explanatory Note (iii)]*

**(Resolution 9)**

# NOTICE OF FIFTEENTH ANNUAL GENERAL MEETING

9. **Grant of share award under the Kingsmen Performance Share Scheme to Mr. Soh Siak Poh Benedict, a controlling shareholder of the Company**

"That the Directors of the Company be and are hereby authorised to offer and grant an award to Mr. Soh Siak Poh Benedict in accordance with the rules of the Kingsmen Performance Share Scheme and on the following terms:

**Proposed date of grant of award** : within four (4) weeks from the date of the Annual General Meeting  
**Number of Shares** : up to 20,000 Shares  
**Moratorium period** : 12 months from the date of grant of the award  
**Date of vesting of award** : the date of grant of the award."

*[See Explanatory Note (iv)]*

**(Resolution 10)**

10. **Grant of share award under the Kingsmen Performance Share Scheme to Mr. Simon Ong Chin Sim, a controlling shareholder of the Company**

"That the Directors of the Company be and are hereby authorised to offer and grant an award to Mr. Simon Ong Chin Sim in accordance with the rules of the Kingsmen Performance Share Scheme and on the following terms:

**Proposed date of grant of award** : within four (4) weeks from the date of the Annual General Meeting  
**Number of Shares** : up to 20,000 Shares  
**Moratorium period** : 12 months from the date of grant of the award  
**Date of vesting of award** : the date of grant of the award."

*[See Explanatory Note (iv)]*

**(Resolution 11)**

11. **Grant of share award under the Kingsmen Performance Share Scheme to Mr. Roy Ong Chin Kwan, an associate of a controlling shareholder of the Company**

"That the Directors of the Company be and are hereby authorised to offer and grant an award to Mr. Roy Ong Chin Kwan in accordance with the rules of the Kingsmen Performance Share Scheme and on the following terms:

**Proposed date of grant of award** : within four (4) weeks from the date of the Annual General Meeting  
**Number of Shares** : up to 10,000 Shares  
**Moratorium period** : 12 months from the date of grant of the award  
**Date of vesting of award** : the date of grant of the award."

*[See Explanatory Note (iv)]*

**(Resolution 12)**

# NOTICE OF FIFTEENTH ANNUAL GENERAL MEETING

## 12. Proposed renewal of the Share Purchase Mandate

"That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire ordinary Shares in the issued share capital of the Company not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:
- (i) market purchases (each a "**Market Purchase**") on the SGX-ST transacted through the Central Limit Order Book (CLOB) trading system, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
  - (ii) off-market purchases (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access scheme as may be determined or formulated by the Directors of the Company as they consider fit, such scheme shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

- (b) the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earliest of:
- (i) the date on which the next annual general meeting of the Company is held or is required by law to be held;
  - (ii) the date on which Share purchases or acquisitions have been carried out to the full extent of the Share Purchase Mandate; or
  - (iii) the date on which the authority contained in the Share Purchase Mandate is varied or revoked by an ordinary resolution of shareholders of the Company in general meeting;
- (c) in this Resolution:

"**Prescribed Limit**" means ten per cent. (10%) of the issued ordinary Shares (excluding treasury shares and subsidiary holdings) of the Company as at the date of the passing of this Resolution; and

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

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

# NOTICE OF FIFTEENTH ANNUAL GENERAL MEETING

where:

**"Average Closing Price"** is the average of the closing market prices of a Share over the last five (5) market days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-day market period;

**"Highest Last Dealt Price"** means the highest price transacted for a Share as recorded on the market day on which there were trades in the Shares immediately preceding the day of the making of the offer (as hereafter defined) pursuant to the Off-Market Purchase; and

**"day of the making of the offer"** means the day on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from shareholders of the Company stating the purchase or acquisition price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

- (d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution."

*[See Explanatory Note (v)]*

**(Resolution 13)**

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By Order of the Board of Directors of the Company

Yang Yanru, Cheryl  
Tan Yong Kwang  
Joint Company Secretaries

Singapore  
12 April 2018

# NOTICE OF FIFTEENTH ANNUAL GENERAL MEETING

## Explanatory Notes:

- (i) Mr. Tan Cher Liang is an Independent Director of the Company. He also serves as the Chairman of the Audit Committee and as a Member of the Nominating Committee and Remuneration Committee. Upon his re-election, Mr. Tan Cher Liang will continue to serve as the Chairman of the Audit Committee and as a Member of the Nominating Committee and Remuneration Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.
- (ii) The Ordinary Resolution 8 proposed in item 7 above, if passed, will empower the Directors of the Company to issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments, up to a number not exceeding, in total, fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to twenty per cent. (20%) may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of Shares and convertible securities that may be issued, the total number of issued Shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

- (iii) The Ordinary Resolution 9 proposed in item 8 above, if passed, will empower the Directors of the Company to allot and issue such number of fully paid Shares from time to time as may be required to be issued to the holders of awards granted by the Company pursuant to the provisions of the Kingsmen Performance Share Scheme.
- (iv) The grant of awards to the controlling shareholders of the Company and their associates under the Kingsmen Performance Share Scheme must be approved by the shareholders of the Company. Mr. Soh Siak Poh Benedict and Mr. Simon Ong Chin Sim are controlling shareholders of the Company. Mr. Roy Ong Chin Kwan is an immediate family member and thus an associate of Mr. Simon Ong Chin Sim.

Further details are set out in the Circular to Shareholders in relation to the Proposed Grant of Awards to Mr. Soh Siak Poh Benedict, Mr. Simon Ong Chin Sim and Mr. Roy Ong Chin Kwan under the Kingsmen Performance Share Scheme enclosed together with the Annual Report.

- (v) The Ordinary Resolution 13 proposed in item 12 above, if passed, will empower the Directors of the Company to purchase or otherwise acquire Shares by way of Market Purchases and/or Off-Market Purchases, provided that the aggregate number of Shares to be purchased or acquired under the Share Purchase Mandate does not exceed the Prescribed Limit, and at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price. The information relating to this proposed Ordinary Resolution is set out in the Circular to Shareholders in relation to the Proposed Renewal of the Share Purchase Mandate enclosed together with the Annual Report.

# NOTICE OF FIFTEENTH ANNUAL GENERAL MEETING

## Notes:

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

"relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act, Cap. 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Cap. 289 of Singapore, and who holds shares in that capacity; or
- (c) the Central Provident Fund Board (the "**Board**") established by the Central Provident Fund Act, Cap. 36 of Singapore (the "**Act**"), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

4. If the member is a corporation, the instrument appointing the proxy must be executed under its common seal or the hand of its attorney or a duly authorised officer.
5. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act.
6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 3 Changi South Lane, Kingsmen Creative Centre, Singapore 486118 not less than 48 hours before the time appointed for holding the Annual General Meeting.
7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.



# NOTICE OF FIFTEENTH ANNUAL GENERAL MEETING

## Personal Data Privacy:

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

**CIRCULAR DATED 12 APRIL 2018**

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

This Circular is circulated to the shareholders (the "**Shareholders**") of Kingsmen Creatives Ltd. (the "**Company**"), together with the Company's annual report for the financial year ended 31 December 2017 (the "**Annual Report**"). Its purpose is to provide the Shareholders with information relating to, and explain the rationale for, the proposed grant of awards to controlling shareholders and an associate of a controlling shareholder under the Kingsmen Performance Share Scheme, to be tabled at the annual general meeting ("**AGM**") of the Company to be held on 27 April 2018 at 10.00 a.m. at 3 Changi South Lane, Kingsmen Creative Centre, Singapore 486118.

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

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

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

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

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**kingsmen**

**KINGSMEN CREATIVES LTD.**

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

**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO**

**THE PROPOSED GRANT OF AWARDS TO:**

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

**UNDER THE KINGSMEN PERFORMANCE SHARE SCHEME**

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# DEFINITIONS

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

<b>"2011 Award"</b>	:	Has the meaning ascribed to it in Section 3.4(b)
<b>"2013 Award"</b>	:	Has the meaning ascribed to it in Section 3.4(b)
<b>"2014 Award"</b>	:	Has the meaning ascribed to it in Section 3.4(b)
<b>"2015 Award"</b>	:	Has the meaning ascribed to it in Section 3.4(b)
<b>"2016 Award"</b>	:	Has the meaning ascribed to it in Section 3.4(b)
<b>"2017 Award"</b>	:	Has the meaning ascribed to it in Section 3.4(b)
<b>"2018 AGM"</b>	:	The annual general meeting of the Company to be held on 27 April 2018 at 10.00 a.m. at 3 Changi South Lane, Kingsmen Creative Centre, Singapore 486118
<b>"Annual Report"</b>	:	The annual report of the Company for the financial year ended 31 December 2017
<b>"Associates"</b>	:	Shall bear the meaning ascribed to it in the Listing Manual
<b>"Available Shares"</b>	:	Has the meaning ascribed to it in Section 3.4(b)
<b>"Award"</b>	:	A contingent award of Shares granted under the Scheme
<b>"Board"</b>	:	The board of directors of the Company for the time being
<b>"CDP"</b>	:	The Central Depository (Pte) Limited
<b>"Committee"</b>	:	A committee comprising Directors duly authorised and appointed by the Board to administer the Scheme
<b>"Companies Act"</b>	:	The Companies Act (Chapter 50) of Singapore, as amended, varied or supplemented from time to time
<b>"Company"</b>	:	Kingsmen Creatives Ltd.
<b>"Controlling Shareholder"</b>	:	A person who:  (a) holds directly or indirectly 15% or more of the total number of issued Shares (excluding treasury shares and subsidiary holdings); or  (b) in fact exercises control over the Company
<b>"Directors"</b>	:	Directors of the Company for the time being
<b>"Executive Directors"</b>	:	The executive directors of the Company
<b>"FRS"</b>	:	Singapore Financial Reporting Standards
<b>"FY"</b>	:	The financial year ended or ending (as the case may be) 31 December
<b>"Group"</b>	:	The Company and its subsidiaries
<b>"Independent Directors"</b>	:	The independent directors of the Company

# DEFINITIONS

<b>"Independent Shareholders"</b>	:	Shareholders other than Shareholders who are Participants or Associates of Participants
<b>"Latest Practicable Date"</b>	:	19 March 2018, being the latest practicable date prior to the printing of this Circular
<b>"Listing Manual"</b>	:	The Listing Manual of the SGX-ST, as amended, varied or supplemented from time to time
<b>"Participant"</b>	:	A person who is eligible to participate in the Scheme
<b>"Performance Shares"</b>	:	The Shares which may be allotted, issued or transferred from time to time pursuant to an Award under the Scheme
<b>"Performance Target(s)"</b>	:	The performance target(s) prescribed by the Committee to be fulfilled by a Participant for any particular period under the Scheme
<b>"Proposed Awards"</b>	:	Has the meaning ascribed to it in Section 1
<b>"Scheme"</b>	:	The Kingsmen Performance Share Scheme, as may be amended, varied or supplemented from time to time
<b>"Scheme Shares"</b>	:	Has the meaning ascribed to it in Section 2.1
<b>"Securities and Futures Act"</b>	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended, varied or supplemented from time to time
<b>"SGX-ST"</b>	:	The Singapore Exchange Securities Trading Limited
<b>"Shareholders"</b>	:	Persons who are registered as holders of the Shares except where the registered holder is CDP, in which case the term <b>"Shareholders"</b> shall in relation to such Shares mean the Depositors whose securities accounts with CDP are credited with the Shares. Any reference to Shares held by Shareholders shall include Shares standing to the credit of the respective Shareholders' securities accounts
<b>"Shares"</b>	:	Ordinary shares in the capital of the Company
<b>Currencies and others</b>		
<b>"S\$" or "per cent"</b>	:	Singapore dollars
<b>"%"</b>	:	Per centum or percentage

# DEFINITIONS

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

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

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

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

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations.

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

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

# LETTER TO SHAREHOLDERS

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

## Directors:

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

## Registered Office:

3 Changi South Lane  
Kingsmen Creative Centre  
Singapore 486118

12 April 2018

**To: The Shareholders of Kingsmen Creatives Ltd.**

Dear Shareholder,

## THE PROPOSED GRANT OF AWARDS TO:

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

## UNDER THE KINGSMEN PERFORMANCE SHARE SCHEME

### 1. INTRODUCTION

The Board is convening the 2018 AGM to seek Independent Shareholders' approval for, *inter alia*, the proposed grant of Awards under the Scheme to Controlling Shareholders of the Company, Mr. Soh Siak Poh Benedict and Mr. Simon Ong Chin Sim, and Mr. Roy Ong Chin Kwan, an Associate of a Controlling Shareholder ("**Proposed Awards**"). Mr. Roy Ong is the brother, and thus an Associate, of Mr. Simon Ong, a Controlling Shareholder.

On 27 March 2009, the SGX-ST granted approval in-principle for the Company's application for the listing and quotation of new ordinary shares to be issued pursuant to the Scheme, subject to, *inter alia*, approval of the Independent Shareholders for the Scheme.

At the extraordinary general meeting of the Company held on 29 April 2009, the Independent Shareholders approved, *inter alia*, the Scheme, and the participation by the following Controlling Shareholders and an Associate of a Controlling Shareholder in the Scheme:

- (i) Mr. Soh Siak Poh Benedict;
- (ii) Mr. Simon Ong Chin Sim; and
- (iii) Mr. Roy Ong Chin Kwan.

# LETTER TO SHAREHOLDERS

The Scheme is administered by the Committee, comprising of two (2) of the Executive Directors and the three (3) Independent Directors. The detailed rules of the Scheme as approved by the Independent Shareholders at the extraordinary general meeting of the Company held on 29 April 2009 are set out in Schedule A of this Circular.

This Circular is circulated to the Shareholders together with the Company's Annual Report. The purpose of this Circular is to provide the Shareholders with information relating to, and explain the rationale for, the Proposed Awards to be tabled at the 2018 AGM.

## 2. THE KINGSMEN PERFORMANCE SHARE SCHEME

### 2.1 Size of the Scheme

The aggregate number of Shares available under the Scheme ("**Scheme Shares**") shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) from time to time, in accordance with Rule 845(1) of the Listing Manual. As at the Latest Practicable Date, the aggregate Awards granted comprise 4.4% of the Company's issued share capital.

### 2.2 Delivery of Performance Shares

The Company will deliver Shares to Participants upon vesting of Awards by way of issue of new Shares and/or purchase of existing Shares. In determining whether to issue new Shares and/or purchase existing Shares, the Company will take into account, *inter alia*, the number of Performance Shares to be delivered, the prevailing market price of the Shares and the potential cost to the Company.

### 2.3 Rationale for participation by Controlling Shareholders and their Associates

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

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

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



# LETTER TO SHAREHOLDERS

## 3. PROPOSED AWARDS

### 3.1 Proposed Award to Mr. Soh Siak Poh Benedict, a Controlling Shareholder

As set out in Resolution 10 of the notice of the 2018 AGM, it is proposed that Mr. Benedict Soh be granted an Award in accordance with the rules of the Scheme and on the following terms:

<b>Proposed date of grant of Award</b>	:	within four (4) weeks from the date of the 2018 AGM
<b>Number of Performance Shares</b>	:	up to 20,000 Shares
<b>Moratorium period</b>	:	12 months from the date of grant of the Award
<b>Date of vesting of Award</b>	:	the date of grant of the Award

#### *Rationale*

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

The Company seeks to reward Mr. Benedict Soh, via the Proposed Award, for his significant contributions to the Group's success and growth. The Proposed Award will form a part of Mr. Benedict Soh's remuneration.

The Directors are of the view that granting the Award to Mr. Benedict Soh will motivate him to continue to achieve superior performance, and create greater Shareholders' value in order to realise the benefits of the Award in due course. This will enhance Mr. Benedict Soh's long-term commitment to the Group, and promote the long-term growth and development of the Group.

The Committee is of the view that granting the Award to Mr. Benedict Soh will provide him with an increased sense of ownership in, and encourage greater dedication to, the Group, which would align Mr. Benedict Soh's interests with the interests of Shareholders. In arriving at the value of the Proposed Award to Mr. Benedict Soh and the number of Performance Shares proposed to be granted, the Committee took into consideration, *inter alia*, Mr. Benedict Soh's scope of responsibilities, his performance and contributions to the Group, the Group's financial performance and comparable industry benchmarks for executive remuneration.

Mr. Benedict Soh has abstained from the decision-making process of the Board and the Committee in relation to the Proposed Award.

### 3.2 Proposed Award to Mr. Simon Ong Chin Sim, a Controlling Shareholder

As set out in Resolution 11 of the notice of the 2018 AGM, it is proposed that Mr. Simon Ong be granted an Award in accordance with the rules of the Scheme and on the following terms:

<b>Proposed date of grant of Award</b>	:	within four (4) weeks from the date of the 2018 AGM
<b>Number of Performance Shares</b>	:	up to 20,000 Shares
<b>Moratorium period</b>	:	12 months from the date of grant of the Award
<b>Date of vesting of Award</b>	:	the date of grant of the Award

#### *Rationale*

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

# LETTER TO SHAREHOLDERS

The Company seeks to reward Mr. Simon Ong, via the Proposed Award, for his significant contributions to the Group's success and growth. The Proposed Award will form a part of Mr. Simon Ong's remuneration.

The Directors are of the view that granting the Award to Mr. Simon Ong will motivate him to continue to achieve superior performance, and create greater Shareholders' value in order to realise the benefits of the Award in due course. This will enhance Mr. Simon Ong's long-term commitment to the Group, and promote the long-term growth and development of the Group.

The Committee is of the view that granting the Award to Mr. Simon Ong will provide him with an increased sense of ownership in, and encourage greater dedication to, the Group, which would align Mr. Simon Ong's interests with the interests of Shareholders. In arriving at the value of the Proposed Award to Mr. Simon Ong and the number of Performance Shares proposed to be granted, the Committee took into consideration, *inter alia*, Mr. Simon Ong's scope of responsibilities, his performance and contributions to the Group, the Group's financial performance and comparable industry benchmarks for executive remuneration.

Mr. Simon Ong has abstained from the decision-making process of the Board and the Committee in relation to the Proposed Award.

### 3.3 Proposed Award to Mr. Roy Ong Chin Kwan, an Associate of a Controlling Shareholder

As set out in Resolution 12 of the notice of the 2018 AGM, it is proposed that Mr. Roy Ong be granted an Award in accordance with the rules of the Scheme and on the following terms:

<b>Proposed date of grant of Award</b>	:	within four (4) weeks from the date of the 2018 AGM
<b>Number of Performance Shares</b>	:	up to 10,000 Shares
<b>Moratorium period</b>	:	12 months from the date of grant of the Award
<b>Date of vesting of Award</b>	:	the date of grant of the Award

#### *Rationale*

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

The Company seeks to reward Mr. Roy Ong, via the Proposed Award, for his good performance and valuable contributions to the Group over the years. The Proposed Award will form a part of Mr. Roy Ong's remuneration.

The Directors are of the view that granting the Award to Mr. Roy Ong will motivate him to continue to achieve superior performance, and create greater Shareholders' value in order to realise the benefits of the Award in due course. This will enhance Mr. Roy Ong's long-term commitment to the Group, and promote the long-term growth and development of the Group.

The Committee is of the view that granting the Award to Mr. Roy Ong will provide him with an increased sense of ownership in, and encourage greater dedication to, the Group, which would align Mr. Roy Ong's interests with the interests of Shareholders. In arriving at the value of the Proposed Award to Mr. Roy Ong and the number of Performance Shares proposed to be granted, the Committee took into consideration, *inter alia*, Mr. Roy Ong's scope of responsibilities and potential for future development, his performance and contributions to the Group, the Group's financial performance and comparable industry benchmarks for executive remuneration.

Mr. Simon Ong has abstained from the decision-making process of the Board and the Committee in relation to the Proposed Award to Mr. Roy Ong.

# LETTER TO SHAREHOLDERS

## 3.4 Applicable rules of the Listing Manual

### (a) Independent Shareholders' Approval

Pursuant to Rule 853 of the Listing Manual, the Company is required to seek Independent Shareholders' approval for the grant of Awards to Mr. Benedict Soh, Mr. Simon Ong and Mr. Roy Ong in accordance with the terms set out in Sections 3.1, 3.2 and 3.3 respectively.

### (b) Maximum entitlement for Controlling Shareholders and their Associates

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

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

As at the Latest Practicable Date:

- (i) there is a total of 29,866,059 Scheme Shares.
- (ii) the aggregate awards of Available Shares to Controlling Shareholders and their Associates (excluding the Proposed Awards) comprise of:
  - (1) the award of 36,830 Performance Shares, representing 0.12% of the total number of Scheme Shares, to Mr. Roy Ong in FY2011 ("**2011 Award**");
  - (2) the award of 182,830, 182,830 and 49,900 Performance Shares, representing 0.61%, 0.61% and 0.17% of the total number of Scheme Shares to Mr. Benedict Soh, Mr. Simon Ong and Mr. Roy Ong respectively in FY2013 ("**2013 Award**");
  - (3) the award of 118,140, 118,140 and 10,080 Performance Shares, representing 0.40%, 0.40% and 0.03% of the total number of Scheme Shares to Mr. Benedict Soh, Mr. Simon Ong and Mr. Roy Ong respectively in FY2014 ("**2014 Award**");
  - (4) the award of 118,780, 118,780 and 13,920 Performance Shares, representing 0.40%, 0.40% and 0.05% of the total number of Scheme Shares to Mr. Benedict Soh, Mr. Simon Ong and Mr. Roy Ong respectively in FY2015 ("**2015 Award**");
  - (5) the award of 175,230 and 175,230 Performance Shares, representing 0.59% and 0.59% of the total number of Scheme Shares to Mr. Benedict Soh and Mr. Simon Ong respectively in FY2016 ("**2016 Award**"); and
  - (6) the award of 11,430 and 11,430 Performance Shares, representing 0.04% and 0.04% of the total number of Scheme Shares to Mr. Benedict Soh and Mr. Simon Ong respectively in FY2017 ("**2017 Award**").

Upon vesting of the Proposed Awards, assuming that the maximum number of Performance Shares are issued, the aggregate awards of Available Shares to Controlling Shareholders and their Associates (including the Proposed Awards) will comprise 4.60% of the total number of Scheme Shares.

# LETTER TO SHAREHOLDERS

- (iii) the aggregate awards of Available Shares to Mr. Benedict Soh (including the 2013 Award, the 2014 Award, the 2015 Award, the 2016 Award, the 2017 Award and the Proposed Award) comprise 2.10% of the total number of Scheme Shares.

The aggregate awards of Available Shares to Mr. Simon Ong (including the 2013 Award, the 2014 Award, the 2015 Award, the 2016 Award, the 2017 Award and the Proposed Award) comprise 2.10% of the total number of Scheme Shares.

The aggregate awards of Available Shares to Mr. Roy Ong (including the 2011 Award, the 2013 Award, the 2014 Award, the 2015 Award and the Proposed Award) comprise 0.40% of the total number of Scheme Shares.

## (c) **Announcement relating to the Proposed Awards**

The Company will make an announcement in relation to the Proposed Awards, if approved by Independent Shareholders, on the date of grant of Awards and provide details, including (i) the date of grant; (ii) the number of Performance Shares granted; (iii) the market price of its Shares on the date of grant; and (iv) the number of Performance Shares granted to each Director and Controlling Shareholder (and each of their Associates), in accordance with Rule 704(29) of the Listing Manual.

## **3.5 Potential cost**

The Scheme is considered a share-based payment that falls under the scope of FRS 102, Share-based Payment. For the grant of Awards, the fair value of employee services received in exchange for the grant of such Awards would be determined by reference to the fair value of each Award granted on the date of the grant and would be recognised as an expense in the Group's income statement with a corresponding adjustment to the share capital account when new Shares are issued, or to treasury shares account when treasury shares are re-issued to the employees. The fair value of the Proposed Awards to Mr. Benedict Soh, Mr. Simon Ong and Mr. Roy Ong is expected to be the prevailing market price per Share on the date of grant multiplied by the number of Shares under each Award.

# LETTER TO SHAREHOLDERS

## 4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST

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

Name	Direct Interest	Number of Shares		%
		%	Deemed Interest	
<b>Directors</b>				
Soh Siak Poh Benedict	8,540,849	4.29	37,993,060 <sup>(1)</sup>	19.08
Simon Ong Chin Sim	8,340,830	4.19	37,993,060 <sup>(2)</sup>	19.08
Cheng Oon Teck	647,690	0.33	–	–
Chong Siew Ling	4,104,731	2.06	–	–
Alex Wee Huat Seng	2,703,549	1.36	–	–
Prabhakaran s/o Narayanan Nair	–	–	–	–
Tan Cher Liang	–	–	–	–
Tan Guan Hiang	–	–	–	–
<b>Substantial Shareholders</b>				
Islanda Pte Ltd	37,993,060	19.08	–	–
O-Vest Pte Ltd	37,993,060	19.08	–	–
Png Geok Choo Rose	–	–	37,993,060 <sup>(1)</sup>	19.08
Soh E-Ling Marianne	–	–	37,993,060 <sup>(1)</sup>	19.08
Soh Hsien Wern Gavin	–	–	37,993,060 <sup>(1)</sup>	19.08
Jillian Soh E-Ping	–	–	37,993,060 <sup>(1)</sup>	19.08
Vera Ong Lim Guek Noi	–	–	37,993,060 <sup>(2)</sup>	19.08
Ong Mei Lin Elita	–	–	37,993,060 <sup>(2)</sup>	19.08

### Notes:

- (1) Mr Soh Siak Poh Benedict's, Mdm Png Geok Choo Rose's, Ms Soh E-Ling Marianne's, Mr Soh Hsien Wern Gavin's and Ms Jillian Soh E-Ping's deemed interest refers to the 37,993,060 Shares held by Islanda Pte Ltd by virtue of Section 7 of the Companies Act.
- (2) Mr Simon Ong Chin Sim's, Mdm Vera Ong Lim Guek Noi's and Ms Ong Mei Lin Elita's deemed interest refers to the 37,993,060 Shares held by O-Vest Pte Ltd by virtue of Section 7 of the Companies Act.

## 5. DIRECTORS' RECOMMENDATION

The Directors are eligible to participate in, and are therefore interested in, the Scheme. Accordingly, the Directors have abstained from making any recommendation on the Proposed Awards to Mr. Benedict Soh, Mr. Simon Ong and Mr. Roy Ong.

## 6. SHAREHOLDERS WHO WILL ABSTAIN FROM VOTING

All Shareholders who are eligible to participate in the Scheme (including Mr. Benedict Soh, Mr. Simon Ong and Mr. Roy Ong) shall abstain, and ensure that their respective Associates abstain, from voting on the resolutions pertaining to the Proposed Awards at the 2018 AGM, and will not accept nominations to act as proxy unless the Shareholder concerned has provided specific instructions as to voting.

# LETTER TO SHAREHOLDERS

## 7. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the 2018 AGM and wish to appoint a proxy or proxies to attend and vote on their behalf should complete, sign and return the proxy form which is attached to the notice of the 2018 AGM in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the registered office of the Company at 3 Changi South Lane, Kingsmen Creative Centre, Singapore 486118, not less than 48 hours before the time appointed for holding the 2018 AGM. The completion and return of the proxy form by a Shareholder will not preclude him from attending the 2018 AGM and voting in person if he so wishes.

A Depositor shall not be regarded as a member of the Company entitled to attend the 2018 AGM and to speak and vote thereat unless his name appears on the Depository Register maintained by CDP pursuant to Part IIIA of the Securities and Futures Act at least 72 hours before the 2018 AGM.

## 8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Awards, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

## 9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 3 Changi South Lane, Kingsmen Creative Centre, Singapore 486118, during normal business hours from the date of this Circular up to and including the date of the 2018 AGM:

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

Yours faithfully

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

Soh Siak Poh Benedict  
Executive Chairman

# LETTER TO SHAREHOLDERS

## SCHEDULE A RULES OF THE KINGSMEN PERFORMANCE SHARE SCHEME

### 1. NAME OF THE SCHEME

The Scheme shall be called the "Kingsmen Performance Share Scheme".

### 2. DEFINITIONS

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

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

# LETTER TO SHAREHOLDERS

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

## 2.2 For the purposes of the Scheme:

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



# LETTER TO SHAREHOLDERS

- 2.3 The terms "Depositor", "Depository Agent" and "Depository Register" shall have the meanings ascribed to them respectively by Section 130A of the Act.
- 2.4 Any reference in the Scheme or the Rules to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and used in the Scheme and the Rules shall have the meaning assigned to it under the Act.
- 2.5 Words importing the singular number shall include the plural number where the context admits and vice versa. Words importing the masculine gender shall include the feminine gender where the context admits.
- 2.6 Any reference to a time of day shall be a reference to Singapore time.

## 3. OBJECTIVES

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

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

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

## 4. ELIGIBILITY

- 4.1 The following persons (provided that such persons are not undischarged bankrupts at the relevant time and have attained the age of 21 years on or before the date of grant of the Award) shall be eligible to participate in the Scheme at the absolute discretion of the Committee:
  - (a) Group Employees (including Group Executive Directors);
  - (b) Non-Executive Directors;
  - (c) subject to Rule 4.3 below, Associated Company Employees; and
  - (d) subject to Rule 4.2 below, Controlling Shareholders and their associates.
- 4.2 Controlling Shareholders and their associates shall be eligible to participate in the Scheme. However, the aggregate number of Shares available to Controlling Shareholders and their associates must not exceed 25% of the Shares available under the Scheme. The number of Shares available to each Controlling Shareholder or his associate must also not exceed 10% of the Shares available under the Scheme.
- 4.3 Only Associated Company Employees from Associated Companies which the Company has control will be eligible to participate in the Scheme.

# LETTER TO SHAREHOLDERS

- 4.4 For the purposes of determining eligibility to participate in the Scheme, the secondment of a Group Employee to another company within the Group shall not be regarded as a break in his employment or his having ceased by reason only of such secondment to be a full-time employee of the Group.
- 4.5 There shall be no restriction on the eligibility of any Participant to participate in any other share option or share incentive schemes implemented by the Company or any other company within the Group.
- 4.6 Subject to the Act and any requirement of the SGX-ST, the terms of eligibility for participation in the Scheme may be amended from time to time at the absolute discretion of the Committee.

## 5. LIMITATIONS UNDER THE SCHEME

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

## 6. DATE OF GRANT

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

## 7. AWARDS

- 7.1 Awards, which will comprise of fully paid Shares, are personal to the Participant to whom it is given and shall not be transferred (other than to a Participant's personal representative on the death of that Participant), charged, assigned, pledged or otherwise disposed of, in whole or in part, unless with the prior approval of the Committee.
- 7.2 Once an Award is finalised by the Committee, the Committee shall send an Award letter to the Participant confirming the said Award. The said Award letter shall specify, *inter alia*, the following:
  - (a) in relation to a performance-related Award:
    - (i) the Performance Target(s) for the Participant; and
    - (ii) the Performance Period for the Participant;

# LETTER TO SHAREHOLDERS

- (b) the number of Shares to be vested on the Participant; and
- (c) the date by which the Award shall be vested.

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

## 8. PERFORMANCE TARGETS

- 8.1 The Committee shall, in its absolute discretion, determine the relevant Performance Target(s) for each Participant, and such Performance Target(s) shall be specified in the Award letter as set out in Rule 7.2.
- 8.2 The Committee has the right to amend the Performance Target(s) if the Committee decides that it would be a fairer measure of the performance of a Participant or for the Scheme as a whole. The Committee shall have the sole discretion to determine whether Performance Target(s) have been satisfied (whether fully or partially) or exceeded and/or whether the Participant's performance and/or contribution to the Company and/or any of its subsidiaries justifies the vesting of an Award. In making any such determination, the Committee shall have the right to take into account such factors as the Committee may in its sole discretion determine to be relevant, and further, the right to amend the service conditions and/or Performance Target(s), if any, if the Committee decides that it would be more equitable to do so.
- 8.3 For the avoidance of doubt, the Performance Target(s) is measured with reference to the quarterly, semi-annual and/or annual financial results of the Group (the "Accounts") and any pre-determined performance condition(s) to be achieved by each specific Participant.

## 9. VESTING OF THE AWARDS

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

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## 10. TAKE-OVER AND WINDING UP OF THE COMPANY

- 10.1 Subject to Rule 9 and Rule 10.5, in the event of a take-over being made for the Shares, a Participant shall be entitled to the Shares under the Awards if he has met the Performance Targets for the corresponding Performance Period. For the avoidance of doubt, the vesting of such Awards will not be affected by the take-over offer.
- 10.2 If under any applicable laws, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, each Participant who has fulfilled his Performance Target shall be entitled, but subject to Rule 10.5, to any Shares under the Awards so determined by the Committee to be released to him during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of 60 days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later.
- 10.3 If an order is made for the winding-up of the Company on the basis of its insolvency, all Awards, notwithstanding that Shares may have not been released to the Participants shall be deemed or become null and void.
- 10.4 In the event of a members' voluntary winding-up (other than for amalgamation or reconstruction), the Shares under the Awards shall be released to the Participant for so long as, in the absolute determination by the Committee, the Participant has met the Performance Targets prior to the date that the members' voluntary winding-up shall be deemed to have been commenced or effective in law.
- 10.5 If in connection with the making of a general offer referred to in Rule 10.1 or the scheme referred to in Rule 10.2 or the winding-up referred to in Rule 10.4, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Participants, whether by the payment of cash or by any other form of benefit, no release of Shares under the Award shall be made in such circumstances.

## 11. SHARES

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

# LETTER TO SHAREHOLDERS

## 12. VARIATION OF CAPITAL

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

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

shall be adjusted by the Committee to give each Participant the same proportion of the equity capital of the Company as that to which he was previously entitled and, in doing so, the Committee shall determine at its own discretion the manner in which such adjustment shall be made.

12.2 Unless the Committee considers an adjustment to be appropriate:

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

shall not normally be regarded as a circumstance requiring adjustment.

12.3 Notwithstanding the provisions of Rule 12.1:

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

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

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

## 13. ADMINISTRATION OF THE SCHEME

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

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

- (a) imposing restrictions on the number of Awards that may be vested within each financial year; and

# LETTER TO SHAREHOLDERS

(b) amending Performance Targets in accordance with Rule 8.2, if by so doing, it would be a fairer measure of performance for a Participant or for the Scheme as a whole.

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

## 14. NOTICES AND ANNUAL REPORT

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

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

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

(a) the names of the members of the Committee administering the Scheme;

(b) the information required in the table below for the following participants:

(i) Directors of the Company;

(ii) Controlling Shareholders and their Associates; and

(iii) Participants other than those in (i) and (ii) above, who received Shares pursuant to the vesting of the Awards granted under the Scheme which, in aggregate, represent five per cent (5%) or more of the aggregate of the total number of Shares available under the Scheme; and

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

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

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

# LETTER TO SHAREHOLDERS

## 15. MODIFICATIONS TO THE SCHEME

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

## 16. TERMS OF EMPLOYMENT UNAFFECTED

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

## 17. DURATION

- 17.1 The Scheme shall continue to be in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on the Adoption Date, provided always that the Scheme may continue beyond the above stipulated period with the approval of the Company's shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.
- 17.2 The Scheme may be terminated at any time by the Committee or by resolution of the Company in general meeting subject to all relevant approvals which may be required and if the Scheme is so terminated, no further Awards shall be vested by the Company thereunder.
- 17.3 The termination of the Scheme shall not affect Awards which have been vested, whether such Shares have been delivered or not.

## 18. TAXES

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

# LETTER TO SHAREHOLDERS

## 19. COSTS AND EXPENSES

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

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

## 20. DISCLAIMER OF LIABILITY

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

## 21. DISPUTES

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

## 22. CONDITION OF AWARDS

Every Award shall be subject to the condition that no Shares would be issued or transferred pursuant to the vesting of any Award if such issue or transfer would be contrary to any law or enactment, or any rules or regulations of any legislative or non-legislative governing body for the time being in force in Singapore or any other relevant country having jurisdiction in relation to the issue or transfer of Shares hereto.

## 23. GOVERNING LAW

The Scheme shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Participants, by accepting Awards in accordance with the Scheme, and the Company irrevocably submit to the exclusive jurisdiction of the courts of the Republic of Singapore.



**CIRCULAR DATED 12 APRIL 2018**

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

This Circular is circulated to the shareholders (the "**Shareholders**") of Kingsmen Creatives Ltd. (the "**Company**"), together with the Company's annual report for the financial year ended 31 December 2017 (the "**Annual Report**"). Its purpose is to explain to the Shareholders the rationale for, and provide the Shareholders with information relating to, the proposed renewal of the Share Purchase Mandate (as defined herein) to be tabled at the annual general meeting ("**AGM**") of the Company to be held on 27 April 2018 at 10.00 a.m. at 3 Changi South Lane, Kingsmen Creative Centre, Singapore 486118.

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

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

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

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

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# kingsmen

**KINGSMEN CREATIVES LTD.**

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

**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO**

**THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE**

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# DEFINITIONS

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

<b>"2017 Mandate"</b>	:	Has the meaning ascribed to it in Section 1
<b>"2018 AGM"</b>	:	The annual general meeting of the Company to be held on 27 April 2018 at 10.00 a.m. at 3 Changi South Lane, Kingsmen Creative Centre, Singapore 486118
<b>"AGM"</b>	:	Annual general meeting of the Company
<b>"Annual Report"</b>	:	The annual report of the Company for the financial year ended 31 December 2017
<b>"Approval Date"</b>	:	Has the meaning ascribed to it in Section 2.2.1
<b>"Average Closing Price"</b>	:	Has the meaning ascribed to it in Section 2.2.4
<b>"Board"</b>	:	The board of directors of the Company for the time being
<b>"CDP"</b>	:	The Central Depository (Pte) Limited
<b>"Companies Act"</b>	:	The Companies Act (Chapter 50) of Singapore, as amended, supplemented or modified from time to time
<b>"Company"</b>	:	Kingsmen Creatives Ltd.
<b>"controlling shareholder"</b>	:	A person who:  (a) holds directly or indirectly 15% or more of the total number of issued Shares (excluding treasury shares and subsidiary holdings); or  (b) in fact exercises control over the Company
<b>"date of the making of the offer"</b>	:	Has the meaning ascribed to it in Section 2.2.4
<b>"Directors"</b>	:	Directors of the Company for the time being
<b>"EPS"</b>	:	Earnings per Share
<b>"FY"</b>	:	Financial year ended, or as the case may be, ending 31 December
<b>"Group"</b>	:	The Company and its subsidiaries
<b>"Highest Last Dealt Price"</b>	:	Has the meaning ascribed to it in Section 2.2.4
<b>"Latest Practicable Date"</b>	:	19 March 2018, being the latest practicable date prior to the printing of this Circular
<b>"Listing Manual"</b>	:	The Listing Manual of the SGX-ST, as amended, supplemented or modified from time to time
<b>"Market Day"</b>	:	A day on which the SGX-ST is open for trading in securities
<b>"Market Purchase(s)"</b>	:	Has the meaning ascribed to it in Section 2.2.3(a)
<b>"Maximum Price"</b>	:	Has the meaning ascribed to it in Section 2.2.4
<b>"NA"</b>	:	Net asset
<b>"NTA"</b>	:	Net tangible asset
<b>"Off-Market Purchase(s)"</b>	:	Has the meaning ascribed to it in Section 2.2.3(b)

# DEFINITIONS

<b>"public"</b>	:	Persons other than the directors, chief executive officer, substantial shareholders or controlling shareholders of the Group, and their associates (as defined in the Listing Manual)
<b>"Registrar"</b>	:	Has the meaning ascribed to it in Section 2.9
<b>"Securities Account"</b>	:	Securities account maintained by a Depositor with CDP but not including securities sub-account maintained with a Depository Agent
<b>"Securities and Futures Act"</b>	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended, supplemented or modified from time to time
<b>"SGX-ST"</b>	:	Singapore Exchange Securities Trading Limited
<b>"Shareholders"</b>	:	Persons who are registered as holders of the Shares except where the registered holder is CDP, in which case the term <b>"Shareholders"</b> shall in relation to such Shares mean the Depositors whose Securities Accounts with CDP are credited with the Shares. Any reference to Shares held by Shareholders shall include Shares standing to the credit of the respective Shareholders' Securities Accounts
<b>"Share(s)"</b>	:	Ordinary share(s) in the capital of the Company
<b>"Share Purchase Mandate"</b>	:	The general mandate to authorise the Directors to purchase Shares in accordance with the rules and regulations set forth in the Companies Act, the Listing Manual and the Securities and Futures Act
<b>"Take-over Code"</b>	:	The Singapore Code on Take-overs and Mergers, as amended, supplemented or modified from time to time

## Currencies and others

<b>"S\$", "\$" and "cents"</b>	:	Singapore dollars and cents respectively
<b>"%" or "per cent"</b>	:	Per centum or percentage

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

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

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

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

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations.

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

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

# LETTER TO SHAREHOLDERS

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

## Directors:

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

## Registered Office:

3 Changi South Lane  
Kingsmen Creative Centre  
Singapore 486118

12 April 2018

**To: The Shareholders of Kingsmen Creatives Ltd.**

Dear Shareholder,

## THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

### 1. INTRODUCTION

The Directors of the Company are convening the 2018 AGM to seek the Shareholders' approval for, *inter alia*, the proposed renewal of the Share Purchase Mandate.

At the extraordinary general meeting of the Company held on 28 April 2008, the Shareholders had approved the Share Purchase Mandate to enable the Company to purchase or otherwise acquire the Shares. The Share Purchase Mandate was last renewed at the annual general meeting of the Company held on 28 April 2017 (the "**2017 Mandate**"). The validity period of the 2017 Mandate will expire at the 2018 AGM. Accordingly, the Company is seeking approval from the Shareholders for, *inter alia*, the renewal of the Share Purchase Mandate at the 2018 AGM.

This Circular is circulated to the Shareholders together with the Company's Annual Report. The purpose of this Circular is to explain the rationale for, and provide the Shareholders with information relating to, the proposed renewal of the Share Purchase Mandate to be tabled at the 2018 AGM.

### 2. PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

#### 2.1 Rationale for the Share Purchase Mandate

The Share Purchase Mandate would give the Company flexibility to undertake purchases or acquisitions of its Shares at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force. Share purchases or acquisitions provide the Company with a mechanism to facilitate the return of surplus cash (if any) over and above its ordinary capital requirements to its Shareholders, in an expedient and cost-efficient manner. Share purchases or acquisitions will also allow the Directors greater flexibility over the Company's share capital structure with a view to enhancing its NTA per share and/or EPS.

# LETTER TO SHAREHOLDERS

The purchase or acquisition of Shares will only be undertaken if the Directors believe that it may benefit the Company and Shareholders. Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 10% limit as authorised. No purchase or acquisition of Shares will be made in circumstances, which would or, in the Directors' reasonable opinion, may have a material adverse effect on the financial position, liquidity and capital of the Company or the Group.

## 2.2 Authority and Limitations of the Share Purchase Mandate

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the Share Purchase Mandate, if approved at the 2018 AGM, are summarised below:

### 2.2.1 Maximum Number of Shares

The Company may purchase or acquire only Shares, which are issued and fully paid-up. The total number of Shares that may be purchased or acquired is limited to that number of Shares representing not more than 10% of the issued Shares as at the date on which the resolution authorising the proposed renewal of the Share Purchase Mandate is passed (the "**Approval Date**"). Shares which are held as treasury shares and subsidiary holdings, will be disregarded for purposes of computing the 10% limit. The Company does not hold any treasury shares and does not have subsidiary holdings as at the Latest Practicable Date.

**For illustrative purposes only**, based on 199,107,061 issued Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date, and assuming that there is no change in the number of issued Shares as at the Approval Date, not more than 19,910,706 Shares (representing 10% of the issued Shares (excluding treasury shares and subsidiary holdings) as at the Approval Date) may be purchased or acquired by the Company pursuant to the Share Purchase Mandate.

### 2.2.2 Duration of Authority

Purchase(s) or acquisition(s) of Shares may be made, at any time and from time to time, from the Approval Date up to the earliest of:

- (a) the date on which the next AGM is held or is required by law to be held;
- (b) the date on which purchase(s) or acquisition(s) of Shares have been carried out to the full extent permitted under the Share Purchase Mandate; or
- (c) the date on which the authority contained in the Share Purchase Mandate is varied or revoked by an ordinary resolution of the Shareholders in a general meeting.

### 2.2.3 Manner of Purchase or Acquisition

Purchase(s) or acquisition(s) of Shares may be made by way of:

- (a) on-market purchase(s) ("**Market Purchase(s)**") transacted on the SGX-ST through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
- (b) off-market purchase(s) ("**Off-Market Purchase(s)**") made under an equal access scheme in accordance with Section 76C of the Companies Act.

# LETTER TO SHAREHOLDERS

The Directors may impose such terms and conditions, which are not inconsistent with the Share Purchase Mandate and the Companies Act, as they consider to be in the interests of the Company in connection with or in relation to an equal access scheme or schemes. Under the Companies Act, an equal access scheme must satisfy all the following conditions:

- (a) offers for the purchase or acquisition of shares are to be made to every person who holds shares to purchase or acquire the same percentage of their shares;
- (b) all of those persons have a reasonable opportunity to accept the offers made to them; and
- (c) the terms of all the offers are the same, except that there shall be disregarded:
  - (i) differences in consideration attributable to the fact that offers may relate to shares with different accrued dividend entitlements;
  - (ii) differences in consideration attributable to the fact that offers relate to shares with different amounts remaining unpaid; and
  - (iii) differences in the offers introduced solely to ensure that each person is left with a whole number of shares.

In addition, the Listing Manual provides that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders, which must contain at least the following information:

- (a) the terms and conditions of the offer;
- (b) the period and procedures for acceptances;
- (c) the reasons for the proposed purchase(s) or acquisition(s) of Shares;
- (d) the consequences, if any, of purchase(s) or acquisition(s) of Shares by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (e) whether the purchase(s) or acquisition(s) of Shares, if made, could affect the listing of the Shares on the SGX-ST;
- (f) details of any purchase(s) or acquisition(s) of Shares made by the Company in the previous 12 months (whether Market Purchase(s) or Off-Market Purchase(s) in accordance with an equal access scheme), giving the total number of Shares purchased or acquired, the purchase or acquisition price per Share or the highest and lowest prices paid for the purchase(s) or acquisition(s), where relevant, and the total consideration paid for the purchase(s) or acquisition(s); and
- (g) whether the Shares purchased or acquired by the Company will be cancelled or kept as treasury shares.

# LETTER TO SHAREHOLDERS

## 2.2.4 Maximum Purchase or Acquisition Price

The purchase or acquisition price (excluding brokerage, trading fee, clearing fee, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors.

However, the purchase or acquisition price must not exceed:

- (a) in the case of a Market Purchase, 105% of the Average Closing Price (as defined below); and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Highest Last Dealt Price (as defined below),

(the "**Maximum Price**") in either case, excluding related expenses of the purchase or acquisition.

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) Market Days on which transactions in Shares were recorded, preceding the date of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-day period;

"**Highest Last Dealt Price**" means the highest price transacted for a Share as recorded on the Market Day on which transactions in Shares were recorded, immediately preceding the date of the making of the offer (as defined below) for an Off-Market Purchase; and

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating the purchase or acquisition price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

## 2.3 **Status of Purchased or Acquired Shares**

Any Share which is purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to that Share will expire on cancellation), unless such Share is held by the Company as a treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares. At the time of each purchase or acquisition of Shares by the Company, the Directors will decide whether the Shares purchased or acquired will be cancelled or kept as treasury shares, or partly cancelled and partly kept as treasury shares, depending on the needs of the Company at that time.

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the key provisions on treasury shares under the Companies Act are summarised below:

### (a) *Maximum Holdings*

The aggregate number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

### (b) *Voting and Other Rights*

The Company will not have the right to attend or vote at meetings and/or to receive any dividends in respect of treasury shares. However, the allotment of treasury shares as fully paid bonus shares is allowed. Furthermore, a subdivision or consolidation of any treasury share into treasury shares of a greater or smaller number is allowed, if the total value of the treasury shares after the subdivision or consolidation is the same as the total value of the treasury share before the subdivision or consolidation, as the case may be.



# LETTER TO SHAREHOLDERS

## (c) *Disposal and Cancellation*

The Company may dispose of treasury shares at any time in the following ways:

- (i) selling the treasury shares for cash;
- (ii) transferring the treasury shares for the purposes of or pursuant to any share scheme, whether for its employees, directors or other persons;
- (iii) transferring the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (iv) cancelling the treasury shares; or
- (v) selling, transferring or otherwise using the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

## 2.4 Source of Funds

The Companies Act permits the Company to make payment, pursuant to the purchase or acquisition of its own Shares, out of capital as well as from its distributable profits, so long as the Company is solvent. The Companies Act provides that a Company is solvent if at the date of the relevant payment, the following conditions are satisfied:

- (a) there is no ground on which the Company could be found to be unable to pay its debts;
- (b) if –
  - (i) it is intended to commence winding up of the Company within the period of 12 months immediately after the date of the payment, the Company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; or
  - (ii) it is not intended so to commence winding up, the Company will be able to pay its debts as they fall due during the period of 12 months immediately after the date of the payment; and
- (c) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the proposed purchase or acquisition of Shares, become less than the value of its liabilities (including contingent liabilities).

The Company intends to use internal sources of funds, or a combination of internal resources and external borrowings, to finance its purchase(s) or acquisition(s) of Shares.

## 2.5 Financial Effects

It is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions that may be made pursuant to the Share Purchase Mandate on the NTA and EPS of the Group, as the resultant effect will depend on, *inter alia*, the aggregate number of Shares purchased or acquired, the purchase or acquisition prices paid for such Shares, whether the purchase or acquisition is made out of capital or profits, whether the Shares purchased or acquired are held in treasury or cancelled, how the Shares held in treasury are subsequently dealt with by the Company in accordance with Section 76K of the Companies Act, and the amounts (if any) borrowed by the Company to fund the purchases or acquisitions.

# LETTER TO SHAREHOLDERS

Where the amounts paid by the Company for the purchase or acquisition of Shares are made out of profits, such amounts will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the amounts paid by the Company for the purchase or acquisition of Shares are made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced but the issued share capital of the Company will be reduced by such amounts. The total amount of the purchase or acquisition price shall include any expenses (including brokerage, trading fee and/or clearing fee) incurred directly in the purchase or acquisition of the Shares which is paid out of the Company's profits or capital.

Where a purchase or an acquisition of Shares is financed by internal resources and/or external borrowings, there may be an increase in the Group's gearing ratio, and a decline in the Group's current ratio and Shareholders' funds. The actual impact on the Group's gearing and current ratios will depend on, *inter alia*, the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

The Directors do not propose to exercise the Share Purchase Mandate to such an extent that the Group's working capital requirements and ability to service its debts would be adversely affected. The purchase(s) or acquisition(s) of Shares will be effected taking into account, *inter alia*, the Group's working capital requirements, availability of financial resources, the Group's expansion and investment plans and prevailing market conditions. The Company intends to exercise the Share Purchase Mandate with a view to enhancing the Group's NTA per share and/or EPS.

**For illustrative purposes only** and on the basis of the following assumptions:

- (a) the purchase or acquisition by the Company of the maximum of 19,910,706 Shares (representing 10% of the issued Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date) was made on 1 January 2017;
- (b) in the case of Market Purchases, the Company purchased or acquired Shares at the Maximum Price of S\$0.6447 for each Share (being 105% of the Average Closing Price as at the Latest Practicable Date), and in the case of Off-Market Purchases, the Company purchased or acquired Shares at the Maximum Price of S\$0.7740 for each Share (being 120% of the Highest Last Dealt Price as at the Latest Practicable Date);
- (c) the purchase or acquisition of Shares by the Company, which required funds amounting to, in the case of Market Purchases, S\$12,836,432, and in the case of Off-Market Purchases, S\$15,410,886, was financed entirely using internal sources of funds, and the Company received dividends from its subsidiaries to finance the purchase or acquisition;
- (d) the Singapore corporate tax rate applied was 17%; and
- (e) the cash reserves applied by the Group to pay for the purchase or acquisition of Shares, would otherwise have earned negligible return,

the financial effects of purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate on the audited financial statements of the Company and the Group for FY2017 are set out below:

**The financial effects set out below are for illustrative purposes only. The illustrations are based on historical numbers for FY2017 and are in no way indicative of the Company's and the Group's future financial performance or a forecast of the Company's and the Group's financial position.**

**Although the Share Purchase Mandate would authorise the Company to purchase or acquire up to 10% of the issued Shares (excluding treasury shares and subsidiary holdings), the Company may not necessarily purchase or acquire part of or the entire 10% of the issued Shares (excluding treasury shares and subsidiary holdings).**

# LETTER TO SHAREHOLDERS

## Market Purchases Scenario

**Market Purchases of 19,910,706 Shares out of profits, and the maximum number of Shares permitted under the Companies Act to be held in treasury are held in treasury and the balance are cancelled**

	Group		Company	
	Before Share Purchase S\$'000	After Share Purchase S\$'000	Before Share Purchase S\$'000	After Share Purchase S\$'000
<b>As at 31 December 2017</b>				
Share capital	27,710	27,710	27,710	27,710
Revenue reserves (distributable)	97,507	97,445	31,993	44,767
Other reserves	(4,293)	(4,293)	1,563	1,563
Treasury shares	–	(12,774)	–	(12,774)
Shareholders' funds	120,924	108,088	61,266	61,266
NA	120,924	108,088	61,266	61,266
Current assets	186,128	173,292	9,308	9,308
Current liabilities	117,256	117,256	2,852	2,852
Working capital	68,872	56,036	6,456	6,456
Total liabilities	124,315	124,315	2,852	2,852
Cash and cash equivalents	71,073	58,237	2,288	2,288
Profit attributable to Shareholders	9,741	9,741	9,159	21,995
Number of Shares, excluding treasury shares and subsidiary holdings ('000)	199,107	179,196	199,107	179,196
Weighted average number of Shares ('000)	198,779	178,868	198,779	178,868
<b>Financial Ratios</b>				
NA per Share <sup>(1)</sup> (cents)	60.73	60.32	30.77	34.19
EPS <sup>(2)</sup> (cents)	4.90	5.45	4.61	12.30
Gearing ratio <sup>(3)</sup> (times)	1.03	1.15	0.05	0.05
Current ratio <sup>(4)</sup> (times)	1.59	1.48	3.26	3.26

# LETTER TO SHAREHOLDERS

## Off-Market Purchases Scenario

**Off-Market Purchases of 19,910,706 Shares out of profits, and the maximum number of Shares permitted under the Companies Act to be held in treasury are held in treasury and the balance are cancelled**

	Group		Company	
	Before Share Purchase S\$'000	After Share Purchase S\$'000	Before Share Purchase S\$'000	After Share Purchase S\$'000
<b>As at 31 December 2017</b>				
Share capital	27,710	27,710	27,710	27,710
Revenue reserves (distributable)	97,507	97,432	31,993	47,329
Other reserves	(4,293)	(4,293)	1,563	1,563
Treasury shares	–	(15,336)	–	(15,336)
Shareholders' funds	120,924	105,513	61,266	61,266
NA	120,924	105,513	61,266	61,266
Current assets	186,128	170,717	9,308	9,308
Current liabilities	117,256	117,256	2,852	2,852
Working capital	68,872	53,461	6,456	6,456
Total liabilities	124,315	124,315	2,852	2,852
Cash and cash equivalents	71,073	55,662	2,288	2,288
Profit attributable to Shareholders	9,741	9,741	9,159	24,570
Number of Shares, excluding treasury shares and subsidiary holdings ('000)	199,107	179,196	199,107	179,196
Weighted average number of Shares ('000)	198,779	178,868	198,779	178,868
<b>Financial Ratios</b>				
NA per Share <sup>(1)</sup> (cents)	60.73	58.88	30.77	34.19
EPS <sup>(2)</sup> (cents)	4.90	5.45	4.61	13.74
Gearing ratio <sup>(3)</sup> (times)	1.03	1.18	0.05	0.05
Current ratio <sup>(4)</sup> (times)	1.59	1.46	3.26	3.26

### Notes:

- (1) NA per Share equals Shareholders' funds divided by the total number of Shares, excluding treasury shares and subsidiary holdings
- (2) EPS equals profit attributable to Shareholders divided by the weighted average number of Shares
- (3) Gearing ratio equals total liabilities divided by Shareholders' funds
- (4) Current ratio equals current assets divided by current liabilities

**Shareholders who are in doubt as to their respective tax positions or any tax implications arising from the proposed renewal of the Share Purchase Mandate to be tabled at the 2018 AGM, or who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.**

# LETTER TO SHAREHOLDERS

## 2.6 Requirements under the Listing Manual

### 2.6.1 Maximum Price

Under the Listing Manual, a listed company may purchase or acquire shares by way of Market Purchases at a price per share which is not more than 5% above the average of the closing market prices of the shares over the last five (5) Market Days, on which transactions in the shares were recorded, before the day on which the purchases or acquisitions were made and deemed to be adjusted for any corporate action that occurs after the relevant five-day period. The Maximum Price for a Share in relation to Market Purchases by the Company, referred to in Section 2.2.4, conforms to this restriction.

### 2.6.2 Reporting Requirements

The Listing Manual requires a listed company to notify the SGX-ST of any purchase or acquisition of its shares (i) in the case of a Market Purchase, by 9.00 a.m. on the Market Day following the day on which it purchased or acquired shares; and (ii) in the case of an Off-Market Purchase under an equal access scheme, by 9.00 a.m. on the second Market Day after the close of acceptances of the offer. Such notification shall be in such form and include such details as may be prescribed by the Listing Manual.

### 2.6.3 No Purchases or Acquisitions after Occurrences of Price Sensitive Developments

While the Listing Manual does not expressly prohibit any purchase or acquisition of shares by a listed company during any particular time(s), because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, in line with the best practices on dealings in securities under Rule 1207(19) of the Listing Manual, the Company will not purchase or acquire any Shares during the period commencing (i) two (2) weeks before the announcement of the Company's financial statements for each of the first three (3) quarters of its financial year; and (ii) one (1) month before the announcement of the Company's full-year financial statements.

## 2.7 Listing Status of the Shares

Under Rule 723 of the Listing Manual, the Company shall ensure that at least 10% of its total number of issued Shares (excluding treasury shares and subsidiary holdings) is at all times held by the public.

As at the Latest Practicable Date:

- (a) approximately 85,001,000 Shares, representing 42.69% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), are held by the public; and
- (b) no Shares are held by the Company as treasury shares and the Company does not have subsidiary holdings.

If the Company had purchased or acquired Shares from the public up to the full 10% limit pursuant to the Share Purchase Mandate on the Latest Practicable Date, the number of Shares held by the public would be approximately 65,090,000 Shares, representing 36.32% of the total number of issued Shares (excluding treasury shares and subsidiary holdings).

The Company is of the view that there is a sufficient number of Shares held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares up to the full 10% limit pursuant to the Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, causing market illiquidity or affecting orderly trading of the Shares.

# LETTER TO SHAREHOLDERS

## 2.8 Obligations to Make a Take-over Offer

If, as a result of any purchase or acquisition of Shares by the Company, the percentage of voting rights in the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate effective control of the Company and become obliged to make a take-over offer under Rule 14 of the Take-over Code.

The circumstances under which Shareholders, including Directors, and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or an acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, if as a result of the Company purchasing or acquiring Shares, (i) the voting rights of Directors and their concert parties would increase to 30% or more; or (ii) in the event that such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six (6) months, the Directors and their concert parties will be exempted from the requirement to make a take-over offer subject to certain conditions, including the submission by such Directors of an executed form prescribed by the Securities Industry Council of Singapore within seven (7) days of the passing of the resolution to authorise the proposed renewal of the Share Purchase Mandate.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 of the Take-over Code, if as a result of the Company purchasing or acquiring its Shares, (i) the voting rights of such Shareholder would increase to 30% or more; or (ii) in the event that such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six (6) months. Such Shareholder need not abstain from voting on the resolution authorising the proposed renewal of the Share Purchase Mandate.

### 2.8.1 Persons Acting in Concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal) co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company. Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert: (i) a company with any of its directors (together with their immediate family members); and (ii) a company, its parent company, subsidiaries and fellow subsidiaries, and their associated companies, and companies whose associated companies include any of the foregoing. Under the Take-over Code, a company is an associated company of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company.

Based on substantial shareholding notifications received by the Company as at the Latest Practicable Date, as set out in Section 3, none of the substantial Shareholders would become obliged to make a take-over offer under Rule 14 of the Take-over Code as a result of the purchase or acquisition of Shares by the Company up to the maximum limit of 10% of the Share Purchase Mandate.

The Directors are not aware of any facts or factors which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as, persons acting in concert such that their respective shareholding interests in the Company should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a purchase or an acquisition of Shares by the Company pursuant to the Share Purchase Mandate.

# LETTER TO SHAREHOLDERS

The statements set out above do not purport to be a comprehensive or exhaustive description of all implications that may arise under the Take-over Code. Shareholders who are in doubt as to whether they would incur any obligation to make a take-over offer as a result of any purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate are advised to consult their professional advisers and/or the Securities Industry Council of Singapore and/or other relevant authorities at the earliest opportunity.

## 2.9 Reporting Requirements

Within 30 days of approval by Shareholders of the proposed renewal of the Share Purchase Mandate, the Company shall lodge a copy of the relevant Shareholders' resolution with the Registrar of Companies (the "**Registrar**").

The Company shall notify the Registrar within 30 days of a purchase or an acquisition of Shares by the Company. Such notification shall include the date of the purchase or acquisition, the number of Shares purchased or acquired by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued share capital before and after the purchase or acquisition, the amount of consideration paid by the Company for the purchase or acquisition, whether the Shares were purchased or acquired out of the profits or capital of the Company, and such other particulars as may be required in the prescribed form.

Within 30 days of the cancellation or disposal of treasury shares in accordance with the provisions of the Companies Act, the Company shall lodge with the Registrar the notice of cancellation or disposal of treasury shares in the prescribed form.

## 2.10 Share Purchases or Acquisitions in the Previous 12 Months

No purchases or acquisitions of Shares have been made by the Company in the 12 months preceding the Latest Practicable Date.

# LETTER TO SHAREHOLDERS

## 3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST

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

Name	Direct Interest	Number of Shares		%
		%	Deemed Interest	
<b>Directors</b>				
Soh Siak Poh Benedict	8,540,849	4.29	37,993,060 <sup>(1)</sup>	19.08
Simon Ong Chin Sim	8,340,830	4.19	37,993,060 <sup>(2)</sup>	19.08
Cheng Oon Teck	647,690	0.33	–	–
Chong Siew Ling	4,104,731	2.06	–	–
Alex Wee Huat Seng	2,703,549	1.36	–	–
Prabhakaran s/o Narayanan Nair	–	–	–	–
Tan Cher Liang	–	–	–	–
Tan Guan Hiang	–	–	–	–
<b>Substantial Shareholders</b>				
Islanda Pte Ltd	37,993,060	19.08	–	–
O-Vest Pte Ltd	37,993,060	19.08	–	–
Png Geok Choo Rose	–	–	37,993,060 <sup>(1)</sup>	19.08
Soh E-Ling Marianne	–	–	37,993,060 <sup>(1)</sup>	19.08
Soh Hsien Wern Gavin	–	–	37,993,060 <sup>(1)</sup>	19.08
Jillian Soh E-Ping	–	–	37,993,060 <sup>(1)</sup>	19.08
Vera Ong Lim Guek Noi	–	–	37,993,060 <sup>(2)</sup>	19.08
Ong Mei Lin Elita	–	–	37,993,060 <sup>(2)</sup>	19.08

### Notes:

- (1) Mr Soh Siak Poh Benedict's, Mdm Png Geok Choo Rose's, Ms Soh E-Ling Marianne's, Mr Soh Hsien Wern Gavin's and Ms Jillian Soh E-Ping's deemed interest refers to the 37,993,060 Shares held by Islanda Pte Ltd by virtue of Section 7 of the Companies Act.
- (2) Mr Simon Ong Chin Sim's, Mdm Vera Ong Lim Guek Noi's and Ms Ong Mei Lin Elita's deemed interest refers to the 37,993,060 Shares held by O-Vest Pte Ltd by virtue of Section 7 of the Companies Act.

Save as disclosed above, none of the Directors and substantial Shareholders has any interest, whether direct or indirect, in the proposed renewal of the Share Purchase Mandate to be tabled at the 2018 AGM.



# LETTER TO SHAREHOLDERS

## 4. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the 2018 AGM and who wish to appoint a proxy or proxies to attend and vote on their behalf should complete, sign and return the Proxy Form attached to the notice of 2018 AGM in accordance with the instructions printed therein as soon as possible and, in any event, so as to arrive at the registered office of the Company at 3 Changi South Lane, Kingsmen Creative Centre, Singapore 486118, not later than 48 hours before the time appointed for holding the 2018 AGM. The appointment of a proxy or proxies by a Shareholder does not preclude him from attending and voting in person at the 2018 AGM if he so wishes in place of the proxy or proxies if he finds that he is able to do so.

A Depositor shall not be regarded as a member of the Company entitled to attend the 2018 AGM and to speak and vote thereat unless his name appears on the Depository Register maintained by CDP pursuant to Part IIIA of the Securities and Futures Act at least 72 hours before the 2018 AGM.

## 5. DIRECTORS' RECOMMENDATIONS

The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of Ordinary Resolution 13 relating to the proposed renewal of the Share Purchase Mandate to be tabled at the 2018 AGM.

## 6. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the proposed renewal of the Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

## 7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 3 Changi South Lane, Kingsmen Creative Centre, Singapore 486118, during normal business hours from the date of this Circular up to and including the date of the 2018 AGM:

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

Yours faithfully

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

Soh Siak Poh Benedict  
Executive Chairman

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# KINGSMEN CREATIVES LTD.

Company Registration Number: 200210790Z  
(Incorporated in Singapore)

## PROXY FORM

(Please see notes overleaf before completing this Form)

### IMPORTANT

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 3 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy shares in the capital of Kingsmen Creatives Ltd., this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent **FOR INFORMATION ONLY**.
3. This proxy form is not valid for use by CPF investors and shall be ineffective for all intent and purposes if used or purported to be used by them.

I/We, \_\_\_\_\_ (name) \_\_\_\_\_ (NRIC/Passport/Co. Reg No.)

of \_\_\_\_\_ (address)

being a member/members of **KINGSMEN CREATIVES LTD.** (the "**Company**"), hereby appoint:

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

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or failing him/her/them, the Chairman of the Fifteenth Annual General Meeting of the Company (the "**Meeting**") as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Meeting to be held on Friday, 27 April 2018 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated below. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies may vote or abstain from voting at his/her/their discretion.

**If you wish to exercise all your votes "For" or "Against", please tick [✓] within the box provided. Alternatively, please indicate the number of votes as appropriate.**

No.	Resolutions relating to:	For	Against
1.	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2017		
2.	Declaration of a final tax exempt one-tier dividend of 1.5 Singapore cents per ordinary share for the financial year ended 31 December 2017		
3.	Re-election of Mr. Simon Ong Chin Sim as a Director		
4.	Re-election of Mr. Alex Wee Huat Seng as a Director		
5.	Re-election of Mr. Tan Cher Liang as a Director		
6.	Approval of Directors' fees amounting to S\$265,000 for the financial year ended 31 December 2017		
7.	Re-appointment of RSM Chio Lim LLP as Auditors and authorisation of the Directors to fix their remuneration		
8.	Authority to allot and issue shares in the capital of the Company – Share Issue Mandate		
9.	Authority to allot and issue shares under the Kingsmen Performance Share Scheme		
10.	Grant of share award to Mr. Soh Siak Poh Benedict under the Kingsmen Performance Share Scheme		
11.	Grant of share award to Mr. Simon Ong Chin Sim under the Kingsmen Performance Share Scheme		
12.	Grant of share award to Mr. Roy Ong Chin Kwan under the Kingsmen Performance Share Scheme		
13.	Renewal of the Share Purchase Mandate		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018

Total number of Shares in:	Number of Shares Held
(a) CDP Register	
(b) Register of Members	

\_\_\_\_\_  
Signature(s) of Shareholder(s)  
or, Common Seal of Corporate Shareholder

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

#### Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. Where a member appoints more than one proxy, the proportion of the shareholdings to be represented by each proxy shall be specified in this proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.
3. A member who is a relevant intermediary entitled to attend and vote at the Meeting is entitled to appoint more than two proxies to attend and vote at the Meeting instead of such member, but each such proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the proportion of shareholdings in relation to which each proxy has been appointed.

"relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act, Cap. 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Cap. 289 of Singapore (the "SFA"), and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board (the "**Board**") established by the Central Provident Fund Act, Cap. 36 of Singapore (the "**Act**"), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the SFA), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members of the Company, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members of the Company. If no number is inserted, this proxy form will be deemed to relate to all the shares held by you.
  5. Completion and return of this proxy form shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the proxy form to the Meeting.
  6. This proxy form must be deposited at the registered office of the Company at **3 Changi South Lane, Kingsmen Creative Centre, Singapore 486118** not less than **48 hours** before the time appointed for holding the Meeting.
  7. This proxy form must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where this proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
  8. Where this proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this proxy form, failing which this proxy form shall be treated as invalid.
  9. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore.

#### General:

The Company shall be entitled to reject a proxy form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

#### Personal Data Privacy:

By attending the Meeting and/or any adjournment thereof or submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2018.

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**Kingsmen Creatives Ltd**

Co. Reg. No. 200210790Z

**Kingsmen Creative Centre**

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**kingsmen**