GRACE

ANNUAL REPORT 2016

cityneon
from environment to experience

MISSION

Our mission is to pioneer clutter-breaking ideas through excellence in innovation, design and technology that enables us to revolutionise and redefine customer engagement.

VISION

Our vision is to be a leading global provider of high-impact experiences that transform the way our customers engage with their end-users.

CONTENTS

CORPORATE PROFILE

Starting our journey as a supplier of electrical appliances in 1956, we have come a long way. Within a few years of our inception, we expanded our business to include the design and installation of shop displays and retail fronts. This is where we began our journey to transform customer touch points into holistic brand experiences, culminating in the incorporation of Cityneon Displays and Construction Pte. Ltd..

By the early 70s, we were the appointed partner of Australian Trade Commission to erect booths and provide logistical support for their “Made in Australia” marquis exhibition – the first of its kind to be hosted in Singapore. It proved to be the turning point for our company, as it enabled us to showcase our creative prowess at an international stage, thus opening doors to new frontiers.

Today, we have grown into Cityneon Holdings Limited – a full service ideas agency specialising in transforming customer and brand experiences, encompassing 4 integrated business divisions – Events, Exhibitions, Experiential Environment, Interior Architecture. In addition, our group now also comprises our newly acquired immersive attractions company, Victory Hill Exhibitions Pte. Ltd., that focuses on delivering engaging educational and interactive “ready-to-showcase” exhibitions, designed to wow your senses. Both, Cityneon and Victory Hill Exhibitions are recognised as leaders in their respective industries.

Events

EVENTS MANAGEMENT
EVENT INFRASTRUCTURE
SPORTS MANAGEMENT

Exhibitions

TRADE SHOWS
CONSUMER SHOWS

Experiential Environment

MUSEUMS
THEME PARKS
EXPOSITIONS

Interior Architecture

RETAIL / HOSPITALITY
HEALTHCARE
CORPORATE

Intellectual Property Rights

EXCLUSIVE SHOWCASING
REVOLUTIONARY EXPERIENCE
EDUTAINMENT TRANSFORMED

OUR BUSINESS

OUR NETWORK

HEADQUARTER AND SUBSIDIARIES

1. SINGAPORE	Headquarter
2. MALAYSIA	Kuala Lumpur
3. BRUNEI	Bandar Seri Begawan
4. VIETNAM	Hanoi, Ho Chi Minh City
5. MYANMAR	Yangon
6. CHINA	Shanghai, Hongkong
7. INDIA	New Delhi
8. BAHRAIN	Manama
9. UNITED KINGDOM	London
10. UNITED STATES OF AMERICA	Las Vegas, Los Angeles

AFFILIATES

11. INDONESIA	Jakarta
12. THAILAND	Bangkok
13. PHILIPPINES	Manila
14. OMAN	Muscat
15. TURKEY	Istanbul
16. QATAR	Doha


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PROJECT HIGHLIGHTS 2016

Pasquale Bruni Grand Opening Gala 2016, Singapore

World Skills Singapore 2016, Singapore

GetActive! by the Bay, Singapore


Presidential Dias @ NDP 2016, Singapore


OCBC Premium Suite @ WTA 2016, Singapore

PROJECT HIGHLIGHTS 2016

Food And Hotel Asia 2016, Singapore

QUANN @ Govware 2016, Singapore

Arcadis @ SIWW 2016, Singapore

Hotelbeds @ ATF 2016, Philippines

Russian Helicopters @ Airshow 2016, Singapore

Singapore Pavilion @ OTC Houston 2016, USA

PROJECT HIGHLIGHTS 2016

Huttons Office, Singapore


Good Old Days Restaurant, Singapore


Hotel Indigo, Singapore


Mount Elizabeth Hospital Ward 3A, Singapore

Keppel Shipyard Health & Wellness Gallery, Singapore

PROJECT HIGHLIGHTS 2016

AVENGERS S.T.A.T.I.O.N. Las Vegas

AVENGERS S.T.A.T.I.O.N. Las Vegas

AVENGERS S.T.A.T.I.O.N. Paris

AVENGERS S.T.A.T.I.O.N. Paris

AVENGERS S.T.A.T.I.O.N. Singapore

CORPORATE INFORMATION

DIRECTORS

DATO' FU AH KIOW @ OH (FU) SOON GUAN
Non-Executive Chairman

TAN AIK TI, RON
Executive Director and Group Chief Executive Officer

DATUK SERI WONG CHUN WAI
Non-Executive Director

NG FOOK AI VICTOR
Lead Independent Director

DATUK ROGER TAN KOR MEE
Independent Director

DATO' LEE YEOW CHOR @ LEE YEW MENG
Independent Director

TANG NAI SOON
Independent Director

RAGESH RAJENDRAN
Alternate Director to Datuk Seri Wong Chun Wai

AUDIT COMMITTEE

NG FOOK AI VICTOR
Chairman

DATO' FU AH KIOW @ OH (FU) SOON GUAN

DATO' LEE YEOW CHOR @ LEE YEW MENG

REMUNERATION COMMITTEE

TANG NAI SOON
Chairman

DATO' FU AH KIOW @ OH (FU) SOON GUAN

DATUK ROGER TAN KOR MEE

NOMINATING COMMITTEE

DATUK ROGER TAN KOR MEE
Chairman

DATUK SERI WONG CHUN WAI

TANG NAI SOON

CHIEF FINANCIAL OFFICER

AW HUI MIEN JENNY

AUDITORS

BDO LLP
Public Accountants and Chartered Accountants

600 North Bridge Road
#23-01 Parkview Square
Singapore 188778

PARTNER-IN-CHARGE

POH CHIN BENG
(since financial year ended 31 December 2014)

REGISTRAR

B.A.C.S. PRIVATE LIMITED
8 Robinson Road
#03-00 ASO Building
Singapore 048544

SECRETARY

CHO FORM PO

BANKERS

THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED

UNITED OVERSEAS BANK LIMITED

STANDARD CHARTERED BANK (SINGAPORE) LIMITED

CITIBANK N.A., SINGAPORE BRANCH

DBS BANK LTD

CIMB BANK BERHAD

ASEAN FINANCE CORPORATION LIMITED

REGISTERED OFFICE

Cityneon Design Centre
84 Genting Lane #06-01
Singapore 349584

COMPANY REGISTRATION NUMBER

199903628E

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board of Directors ("BOD") of Cityneon Holdings Limited (the "Company") and its subsidiaries (the "Group"), I am pleased to present our annual report for the financial year ended 31 December 2016 ("FY2016").

PERFORMANCE

The Group delivered stellar results for the year under review with the bulk of returns generated by our latest business segment – Intellectual Property Rights ("IPR"). The addition of the IPR business segment has expanded our scope of expertise and capabilities to create and transform customer and brand experiences. This strategic move enabled us to reap a nearly sevenfold increase in net profits, of which approximately 90% was contributed by the IPR segment.

We will be building upon this momentum, placing our focus on the IPR segment. We will be realigning resources and strengthening existing business segments to mitigate the effects of a slower global economy which have softened demand and narrowed margins.

Our net asset value per share rose to 28.3 cents, up from the 22.4 cents in the previous corresponding period and earnings per share increased 300% year-on-year, from 0.7 cents to 2.8 cents.

As such, I would also like to make a special mention and welcome our newly-appointed Group Chief Executive Officer, Mr Ron Tan. He has been the key in the marked improvements to our bottomline and brings with him a wealth of experience from heading the operations of Victory Hill Exhibitions Pte. Ltd. ("VHE"), our wholly-owned subsidiary since FY2015. His invaluable input and vision has helped to drive us towards opening up a new revenue stream for the Group. We look to his leadership to better pursue our goal of becoming a leading global provider of high-impact experiences.

BOARD AND EXECUTIVE CHANGES

We would like to welcome Mr Ng Fook Ai Victor as Lead Independent Director and Dato' Lee Yeow Chor @ Lee Yew Meng as Independent Director. We look forward to working together to further propel the Group to greater heights.

We also wish to take this opportunity to thank Non-Executive Chairman Mr Lew Weng Ho, who has left to pursue his own interests, and Executive Director and Group Managing Director Mr Ko Chee Wah, who has retired during the financial year. We are grateful for their stewardship and guidance thus far. We wish them all the best in their future endeavours.

CLOSING

With our plans and goals clearly in place, we look to fulfilling them on the operations front. We will be selective, taking on the most suitable projects to enhance our standing in the industry. We will also be more prudent with cost-saving measures to ensure efficient use of resources and maximise returns to benefit all our stakeholders and staff for their hard work and dedication during the past financial year.

DATO' FU AH KIOW @ OH (FU) SOON GUAN
Non-Executive Chairman

GROUP CEO'S STATEMENT

DEAR SHAREHOLDERS,

Having been in the business for over 60 years, Cityneon has come a long way, be it through bearish or bullish times. What remains constant through the evolving times is our passion and commitment to keep ourselves at the forefront of the industry and to continue delivering our best to our clients each and every time.

I am proud to share with you in my inaugural CEO's statement, that FY2016 was a year of spectacular growth and achievement for the Group. For that, we have our business partners, shareholders and investors to thank. With that specific notion in mind, we have designed our Annual Report this year as a testament of our gratitude to all our stakeholders. Graced by their support and belief in us, we were emboldened to continue our journey in taking the lead to create unforgettable brand experiences across all our business divisions.

REVENUE AND PERFORMANCE

Despite the uncertainty of the global economy, we reported a strong set of results due to the significant contribution from our latest business segment - Intellectual Property Rights ("IPR"). To briefly recap, we had expanded on our range of offerings in FY2015 with the acquisition of Victory Hill Exhibitions Pte. Ltd. ("VHE"), an exhibition production and distribution company focused on delivering engaging, educational and interactive exhibitions for the global market. This built upon our existing line-up of four independent but integrated business segments comprising Exhibitions ("EX"); Experiential Environment ("EE"); Events ("EV"); and Interior Architecture ("IA").

While our traditional segments continued to perform in line with expectations, the IPR segment lead the charge with its 18.3% contribution to our total revenue of $96.8 million. In fact, more than 70.0% of our total revenue was generated overseas. This places us ahead of the 53.0% average for international revenue contribution for small and medium enterprises, as reported in a recent survey conducted by International Enterprise Singapore. The IPR segment also fuelled a 43.0% growth in gross profit with its 75.5% gross profit margin. Our net profit after tax rose considerably by as much as 693.4%, of which a noteworthy 90.0% was contributed by the IPR business.

Taking into account the above, our net asset value per share rose by 26.3%, and earnings per share improved threefold, putting us in a well-placed and robust financial position. Furthermore, our market capitalisation grew by 15.0 times, from $15.5 million (prior to the completion of the acquisition of VHE) to $232.4 million as at 31 December 2016. These were definitely remarkable feats that we are proud to share.

ACHIEVEMENTS AND HIGHLIGHTS – IPR SEGMENT

To share a bit more about the IPR business segment, we own the intellectual property rights and licences to create exclusive showcases using leading technologies. These immersive attractions combine education and entertainment all at once, delivering to audiences a revolutionary experience like never before.

Our IPR segment currently holds two strong licences namely the "AVENGERS S.T.A.T.I.O.N." and "TRANSFORMERS" which are from Marvel Characters B.V. and Hasbro International Inc. respectively. These licences have enabled us to assemble a strong offering set to transform the exhibition industry with a bang. Both have taken off with great success, and the Group has since embarked on a journey to deliver these unforgettable experiences in travelling and permanent formats on a global scale.

For the AVENGERS S.T.A.T.I.O.N. attraction, we have a permanent setup in Las Vegas, the very first in the Western U.S., at Treasure Island Hotel and Casino on the world famous Las Vegas Strip. Its launch was timed to be shortly after the release of Marvel's 'Captain America: Civil War' movie which has since grossed $1 billion worldwide. Barely a month after its opening, the exhibition was labelled as "Best Place to Meet Your Heroes" by Vegas Seven (a leading weekly Las Vegas magazine) in its seventh annual "Best of the City" publication.

Meanwhile, we have also completed our travelling set exhibition tour in Paris and Singapore and are ironing out the finer details with preparatory works already underway for the openings in Taiwan and Australia, and the upcoming launch in Beijing. As for the TRANSFORMERS experience, we are in the midst of priming the relevant teams to launch it in Beijing during the 2nd half of 2017.

For the year under review, we also undertook a share placement exercise of 20 million new shares to strategic investor CMC Holdings and other institutional and financial investors. The placement is part of our goal to institutionalise our investor base and increase liquidity. The net proceeds generated will be used to boost the growth and expansion of VHE. In addition, the exercise also enhance the collaboration opportunities with CMC.

STRATEGIES AND PROSPECTS

To uphold our leading position in the industry and maintain operational readiness for opportunities and challenges alike in 2017, we undertook a strategic review of all our business segments during the year.

Our findings have culminated in a strategy that will involve placing our main focus on the IPR business segment, which has an order book of projects in the pipeline till the year 2018. We plan to further expand this business segment by exploring new quality licences via mergers and acquisitions to increase our ownership of licences beyond the current two. With this, we would be able to hone our capabilities while creating more unforgettable experiences and raising our brand profile.

At the same time, we will be re-organising our traditional businesses, strengthening and streamlining them to refine the Group into a more nimble and lean organisation. This will be achieved through several steps such as merging the EX and EV segments to better consolidate resources, facilitate cost savings, and improve operational efficiency. Meanwhile, we will look to expand the EE business segment organically which had for the year under review bolstered its track record following the effective completion of the multi-million dollar international theme park project in Shanghai. For the IA segment, we will consolidate the current 2 divisions into a single team and concentrate on tendering for bigger niche projects such as hotels, service apartments, museums and galleries both locally and overseas to increase our standing.

As we pursue our goals, we keep an eye on key external events such as the recent Singapore Budget 2017 announced in February 2017. Amongst its directives, it highlighted the importance of automation and upgrading of employee skillset to better prepare for the economic landscape of the future. We embrace these calls for innovation whole-heartedly and are already in the midst of implementing such measures.

While undertaking the broad strategic strokes, we are mindful of day-to-day decisions. On the business operations end, we will continue to exercise caution in our project selection process, enhance staff productivity as well as contain costs through cost saving measures to ensure there is no wastage of resources. We will also carefully assess and manage risks in order to keep our business sustainable.

APPRECIATION

Looking back on FY2016, it was a year of milestones and growth tempered with persistent macroeconomic challenges that we worked hard to mitigate.

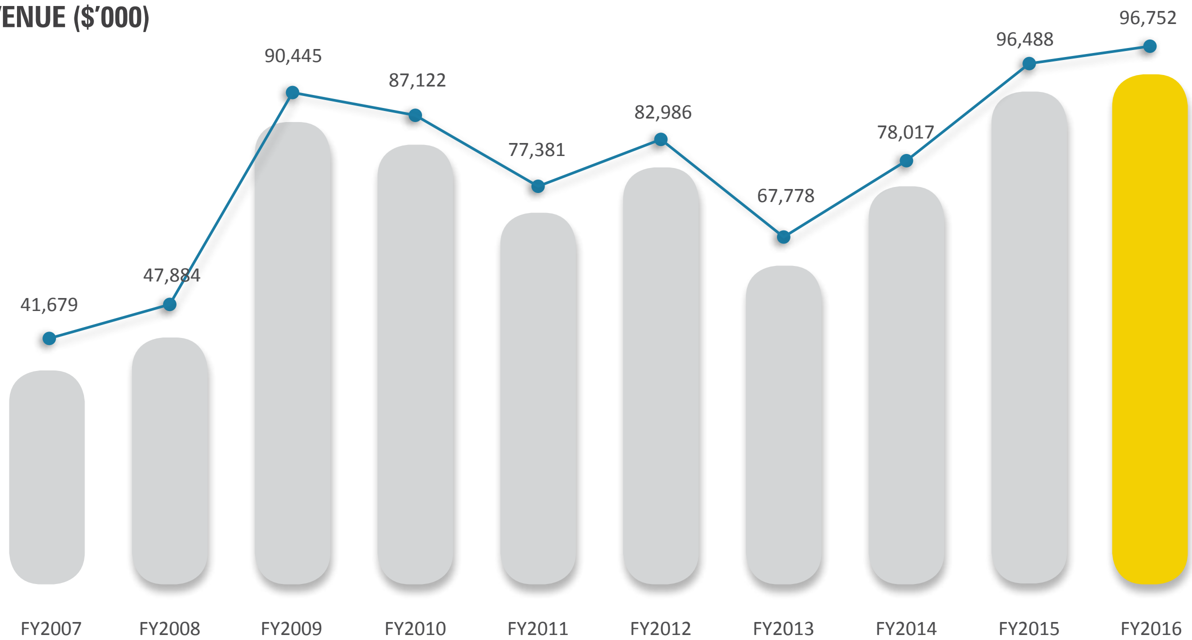
Having just joined the Cityneon family as the Group Chief Executive Officer, I am both humbled and thankful for the opportunity to contribute to the Group's current and future endeavours. I would like to emphasise that our successes are the achievement of all and made possible only through the strong support we received from our valued clients, employees, partners and shareholders. Thank you for your ongoing faith and support has helped us tide through the challenging times. We will endeavour to prove ourselves worthy of the goodwill by strengthening our commitment to creating business synergies that deliver greater results and enhance shareholders' value. I look forward to the journey ahead and hope we will be able to create a better future for all stakeholders together.

Thank you.

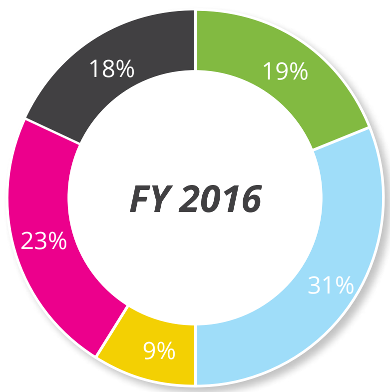
RON TAN
Group Chief Executive Officer

FINANCIAL HIGHLIGHTS

REVENUE ($'000)

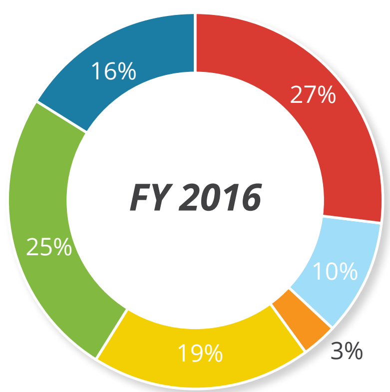


REVENUE BY BUSINESS SEGMENT



	FY 2016		FY 2015	
	$'000	%	$'000	%
Experiential environment	18,759	19	21,730	22
Exhibitions	29,662	31	27,106	28
Events	8,355	9	28,647	30
Interior architecture	22,316	23	18,318	19
Intellectual property rights	17,660	18	687	1
Total	**96,752**	**100**	**96,488**	**100**

REVENUE BY GEOGRAPHICAL SEGMENT



	FY 2016		FY 2015	
	$'000	%	$'000	%
Singapore	26,314	27	43,359	44
Middle East	9,820	10	20,806	22
Malaysia	3,089	3	13,157	14
China	17,862	19	9,413	10
Asia Pacific	24,387	25	2,770	3
Others	15,280	16	6,983	7
Total	**96,752**	**100**	**96,488**	**100**

FINANCIAL HIGHLIGHTS

Financial Results ($'000)	FY2012	FY2013	FY2014	FY2015	FY2016
Revenue	82,986	67,778	78,017	96,488	**96,752**
Gross profit	19,984	21,851	22,077	23,300	**33,322**
Gross profit margin	24.1%	32.2%	28.3%	24.1%	**34.4%**
Profit/(Loss) before tax	(4,864)	853	2,513	794	**7,329**
Profit/(Loss) after tax	(4,748)	829	2,315	833	**6,610**
Profit/(Loss) attributable to shareholders	(4,725)	894	2,345	871	**6,681**

Financial Position ($'000)	FY2012	FY2013	FY2014	FY2015	FY2016
Property, plant and equipment	3,657	2,333	2,257	16,032	**43,437**
Current assets	44,961	45,083	52,699	60,416	**65,941**
Other non-current assets	1,315	1,393	1,213	11,115	**10,645**
	49,933	48,809	56,169	87,563	**120,023**
Current liabilities	(28,258)	(26,392)	(30,350)	(36,440)	**(49,567)**
Non-current liabilities	(390)	(98)	(217)	(1,104)	**(847)**
	(28,648)	(26,490)	(30,567)	(37,544)	**(50,414)**
Non-controlling interests	(585)	(520)	(490)	(452)	**(313)**
Shareholders' equity	20,700	21,799	25,112	49,567	**69,296**
Cash and cash equivalents	10,941	14,176	23,881	24,269	**23,779**

Ratios	FY2012	FY2013	FY2014	FY2015	FY2016
Earnings per share (cents) - basic	(5.3)	1.0	2.7	0.7	**2.8**
Net asset per share (cents)	23	25	28	22	**28**

OPERATING & FINANCIAL REVIEW

CITYNEON'S BUSINESS SEGMENTS

Since the acquisition of Victory Hill Exhibitions Pte. Ltd. ("VHE") in FY2015, Cityneon had expanded on our range of service offerings. The addition of this latest Intellectual Property Rights ("IPR") business segment builds upon our 4 existing integrated business segments comprising Exhibitions ("EX"), Experiential Environment ("EE"), Events ("EV") and Interior Architecture ("IA").

BUSINESS OVERVIEW

The Group's total revenue remained relatively stable at $96.8 million for the financial year ended 31 December 2016, with a slight increase of 0.3% from the $96.5 million in FY2015. This was a result of the mixed performances for our various business segments.

REVENUE BY BUSINESS SEGMENTS

Moving on to a segmental basis, we delve into greater detail the individual performance of each business segment and their contribution to our top line.

Exhibitions ("EX")

Our EX segment specialises in providing our customers with impactful solutions through creating innovative concepts and holistic experiences that reflect their brand ideology, enabling them to genuinely stand out amongst the crowd. For the year under review, we successfully delivered on major events including the Food & Hotel Asia 2016, OSEA 2016, Comex 2016, CommunicAsia 2016, Bahrain International Air Show and COP22, just to name a few. These key events helped boost revenue by 9.6% from $27.1 million in FY2015 to $29.7 million in FY2016.

Experiential Environment ("EE")

The EE segment partners its customers through all stages of experiential design, specialising in transforming customers' visual branding into lasting, multi-sensory brand experiences. The EE segment successfully completed key projects such as the Keppel Shipyard Health and Wellness Gallery and some works for the International Theme Park jobs in Shanghai Pudong. In total, these projects contributed $18.8 million to our revenue for FY2016 which was a 13.4% difference from the $21.7 million in FY2015.

Events ("EV")

The EV segment supports the organisation of various events and campaigns, with above, below and through-the-line solutions especially those pertaining to sports. Notable events that the segment catered to this year include the Pasquale Bruni Grand Opening Gala, the Singapore Formula 1 night race, the National Day Parade 2016, OCBC Cycle 2016, and the Singapore Youth Olympics Festival. Revenue recorded for EV was $8.4 million for FY2016, which was a 70.6% difference from the $28.6 million recorded in FY2015. The primary factor behind the difference was the absence of one-off events in FY2015 such as the SEA Games and ASEAN Para-Olympics Games.

Interior Architecture ("IA")

Our IA segment specialises in delivering riveting multi-sensory interior architectural design that exude beauty, form and function inside and out for our customers. For our IA segment, revenue has improved due to work progressing well for our various projects in Vietnam, Brunei and India. Revenue from the segment rose 21.9% from $18.3 million in FY2015 to $22.3 million for the period under review. Notable completed projects include work done in Singapore such as for the Esplanade, Universal Studios, Mount Elizabeth Hospital, Hotel Indigo and Good Old Days Restaurant. Our on-going projects include work being done for Ascott Waterfront Saigon in Vietnam and Museum in Bihar, India.

Intellectual Property Rights ("IPR")

Last but certainly not least, our IPR segment in which we focus on delivering engaging educational and interactive exhibitions for exclusive licence-held showcases through leading technologies for revolutionary experiences. With the two strong licences we hold for Marvel's AVENGERS S.T.A.T.I.O.N. and Hasbro's TRANSFORMERS under our latest IPR segment, we saw a revenue contribution of 18.3%, or $17.7 million, to the total revenue in FY2016. Key generators of the revenue were the travelling and permanent exhibitions of the AVENGERS S.T.A.T.I.O.N. in Paris, Singapore and Las Vegas.

PROFIT AND MARGINS

Persistent spillover effects from the global financial crisis in the form of a sluggish rate of growth in FY2016 led to downward pressures in our traditional business segments that affected our margins for projects that were undertaken during the year. However, we have achieved a 42.9% growth in gross profit from $23.3 million to $33.3 million this year, due to higher gross profit margins ("GPM") of 75.5% generated from the IPR segment. Our GPM rose 42.6% year-on-year to 34.4%. Our net profit after tax jumped by as much as 693.4% from $0.8 million to $6.6 million in FY2016, of which a noteworthy 90.0% was contributed by the IPR business.

FINANCIAL POSITION

Net assets value ("NAV") of the Group as at 31 December 2016 stood at $69.3 million, an increase of $19.7 million from $49.6 million last year.

The major movements in balance sheet items are summarised as follows:

(i) Increases in Property, Plant & Equipment ("PPE") from $16.0 million to approximately $43.4 million mainly due to cost incurred in upgrading of the interactive exhibition sets in Las Vegas, construction of the two new interactive exhibition travelling sets and renovation of the exhibition and retail space in Las Vegas.

(ii) Inventories increases from $0.2 million to $0.7 million mainly due to merchandises purchased in Las Vegas.

(iii) The trade and other receivables (including deposits and prepayments) decreased slightly from $29.0 million in FY2015 to $28.7 million in FY2016 was mainly due to faster collection from debtors. Trade and other payables have decreased from $23.8 million to $19.6 million mainly due to faster payment made to suppliers.

(iv) Amount due from contract customers increased from $6.9 million to $12.7 million mainly due to slower billings for work done in FY2016 compared to FY2015.

(v) Increases in the amount due to contract customers resulted from the increase in progress biling billed to contract customers.

(vi) Bank borrowings increased by $16.5 million from $8.2 million in FY2015 to $24.7 million in FY2016. The increase was mainly due to bank loans drawn down for use in the building of new interactive exhibition assets and renovation cost incurred on the permanent exhibitions venue at Treasure Island.

(vii) Provision for taxation increased mainly for tax provided on net profit generated by IPR business unit.

CASH FLOW

As at 31 December 2016, the Group recorded net cash generated from operating activities of $3.9 million.

(i) Net cash generated from trade and other receivables in FY2016 mainly due to faster collection from customers in FY2016 compared to FY2015.

(ii) Amount due from contract customers saw a net decrease in cash of $5.6 million due to slower billing because unlike a year ago where a higher number of projects was recorded near year end.

(iii) The net decrease of $2.3 million in trade and other payables in FY2016 was due to faster payment made to supplier as compared to FY2015.

(iv) Higher interests amounting to $0.6 million was due to increases in bank borrowings in FY2016 as compared to a year ago.

(v) Tax amount of $0.4 million was paid mainly for the IPR business in FY2016.

The Group recorded net cash used in investing activities amounting to approximately $32.3 million in FY2016. This consists of the upgrading of interactive exhibition sets in Las Vegas, construction of two new interactive exhibition travelling sets and renovation of the exhibition and retail space in Las Vegas. There was also an amount paid for the intangible assets - ("studios licences") of approximately $1.0 million.

The Group recorded a net cash generated from financing activities of approximately $27.7 million in FY2016. This consists of $12.1 million contributed by the net proceeds from share placements and employee share options exercised by some staff. There were bank borrowings and trade facilities of $33.2 million drawdown for the building of interactive exhibition assets and projects purposes. These bank borrowings were partially offset by the repayments amounting to $17.3 million in FY2016.

EARNINGS PER SHARE ("EPS")

Earnings per share for FY2016 increased to 2.8 cents from the 0.7 cents in FY2015.

NET ASSET VALUE ("NAV") PER SHARE

At at 31 December 2016, net asset value per share rose to 28.3 cents, representing an increase of 26.3% over FY2015's NAV of 22.4 cents.

ENLARGED SHARE CAPITAL

During the year, 20,000,000 new shares were issued under a share placement exercise in May and another 3,837,400 new shares were issued for employees share options exercised by staff.

The number of shares increased from 220,818,795 as at 31 December 2015 to 244,656,195 as at 31 December 2016.

BOARD OF DIRECTORS

Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan

Non-Executive Chairman

Master Degree in Industrial Engineering and Management Science, Cranfield University, United Kingdom
Bachelor of Science (Honours) Degree in Physics, University of Malaya, Malaysia

Date of first appointment as Director: 7 February 2017
Date of last re-appointment as Director: -
Length of services as Director: Not applicable (as at 31 December 2016)

Served on the following Board Committees

- Finance Committee – Chairman
- Audit Committee – Member
- Remuneration Committee – Member

Present Directorships in other listed companies

- Star Media Group Berhad
- Tiong Nam Logistics Holdings Berhad
- Fitters Diversified Berhad
- Parkson Retail Group Ltd

Present Principal Commitments

(other than directorships in other listed companies)

- Board of Trustee of Star Foundation, Chairman

Directorships in other listed companies held over the preceding three years

- Nirvana Asia Ltd

Background and Experience

- More than 13 years of distinguished service in the Malaysian Government up till retirement in 2008
- A Member of Parliament in 1995, and Deputy Minister of various ministries over the years – Internal Security, Higher Education, Culture, Arts and Tourism, and Parliamentary Secretary of Ministry of International Trade and Industry
- Managerial expertise and niche in the construction and M&E engineering services

Tan Aik Ti, Ron

Executive Director and Group Chief Executive Officer

Former Government Scholar of the Republic of Singapore 4.0 GPA, Bachelor of Science (with Distinction), University of Hawaii at Manoa

Date of first appointment as Director: 9 November 2015
Date of last re-appointment as Director: 22 April 2016
Length of services as Director: 1.2 years (as at 31 December 2016)
Date of appointment as Group Chief Executive Officer:
1 January 2017

Served on the following Board Committees

- Finance Committee – Member

Present Directorships in other listed companies

- Nil

Present Principal Commitments

(other than directorships in other listed companies)

- Nil

Directorships in other listed companies held over the preceding three years

- Epicentre Holdings Ltd, Singapore
- Mavshack AB, Sweden

Background and Experience

- A wealth of experience in the entertainment industry, having served as the Executive Director for Hi-5 Operations Pte Ltd, EMS Holdings Pte Ltd, and BASE Entertainment Asia
- Producer of the Hi-5 TV Series and the first Hi-5 Movie which was sold and broadcasted in over 200 countries globally
- Served as an Independent Board Member of CCFH Limited (formally known as Friven & Co.), a corporation listed on the Singapore Exchange, and Mavshack AB, a Swedish corporation listed on NASDAQ OMX
- Served as an International Director in First Alverstone Partners, an investment and consultancy firm
- Served in various management positions at various local and multinational firms

Datuk Seri Wong Chun Wai

Non-Executive Director

Bachelor of Arts Degree (Political Science and History Major), Universiti Kebangsaan Malaysia, Malaysia

Date of first appointment as Director: 6 December 2012
Date of last re-appointment as Director: 22 April 2016
Length of services as Director: 4 years (as at 31 December 2016)

Served on the following Board Committees

- Nominating Committee – Member
- Finance Committee – Member

Present Directorships in other listed companies

- Star Media Group Berhad

Present Principal Commitments

(other than directorships in other listed companies)

- Nil

Directorships in other listed companies held over the preceding three years

- Nil

Background and Experience

- Over 30 years of experience in the media industry in various capacities
- Advisory panel member of the UKM Graduate School of Business and adjunct professor of the Northern University of Malaysia (UUM) & a Fellow at the National University of Malaysia (UKM)
- Member of the Governance Council of the National Innovation Agency in the Prime Minister's Department
- First Malaysian to be elected into the Board of the Paris-based World Editors Forum
- Board Member of the Bangkok-based Asia News Network, a regional grouping of 22 media companies
- Board Member of the Centre for Mobile Studies (CMS) at the Xiamen University Malaysia
- Honorary Advisor (2016-2019) of the Malaysia-China Chamber of Commerce (MCCC)
- Writes a weekly column in The Sunday Star called "On the Beat" which focuses on political & religious moderation
- Awarded the "Lifetime Achievement Award for leadership in Media Industry" by the World Chinese Economic Forum in Chongqing, China in 2014

Ng Fook Ai Victor

Lead Independent Director

Master of Economics, University of London (Birkbeck College), England

Date of first appointment as Director: 10 June 2016
Date of last re-appointment as Director: -
Length of services as Director: 0.5 years (as at 31 December 2016)
Date of appointment as Lead Independent Director:
27 October 2016

Served on the following Board Committees

- Audit Committee – Chairman
- Finance Committee – Member

Present Directorships in other listed companies

- MY E.G. Services Berhad
- Sunshine 100 China Holdings Ltd
- SHC Capital Asia Limited
- Soilbuild Business Space Reit Ltd

Present Principal Commitments

(other than directorships in other listed companies)

- Nil

Directorships in other listed companies held over the preceding three years

- Devotion Energy Group Limited

Background and Experience

- More than 30 years of experience as a Director on various boards of listed and non-listed companies in Singapore, Hong Kong and Malaysia
- More than 20 years of senior management and investment banking experience, and has extensive experience in auditing, taxation and corporate advisory

BOARD OF DIRECTORS

Datuk Roger Tan Kor Mee
Independent Director

Master of Laws, National University of Singapore, Singapore
Barrister-at-Law, Honourable Society of Gray's Inn, London
Bachelor of Laws (Honours) Degree, Queen Mary College, University of London, England

Date of first appointment as Director: 22 May 2015
Date of last re-appointment as Director: 22 April 2016
Length of services as Director: 1.6 years (as at 31 December 2016)

Served on the following Board Committees
- Nominating Committee – Chairman
- Remuneration Committee – Member

Present Directorships in other listed companies
- Nil

Present Principal Commitments
(other than directorships in other listed companies)
- National Water Services Commission Malaysia (SPAN), Commissioner
- Strata Management Tribunal, President
- Roger Tan & Partners, Managing Partner

Directorships in other listed companies held over the preceding three years
- Nil

Background and Experience
- Chairman of the Disciplinary Committee, Legal Affairs Committee and Dispute Resolution Committee of SPAN
- Head of the Bar Council's Law Degree Evaluation Team set up by the Legal Profession Qualifying Board
- Board Member, Solid Waste Management and Public Cleansing Corporation (2009-2015)
- Member (2013-2015), Advocates & Solicitors Disciplinary Board
- Elected member (2004-2008) of the Bar Council of Malaysia
- Law Lecturer, Tunku Abdul Rahman College (1989-1992)

Dato' Lee Yeow Chor @ Lee Yew Meng
Independent Director

Advanced Diploma in Commercial Management, Institute of Commercial Management (ICM), England

Date of first appointment as Director: 25 May 2016
Date of last re-appointment as Director: -
Length of services as Director: 0.6 years (as at 31 December 2016)

Served on the following Board Committees
- Audit Committee – Member

Present Directorships in other listed companies
- Nil

Present Principal Commitments
(other than directorships in other listed companies)
- The CEO and Executive Director of Genovasi Malaysia, a dedicated 'Design Thinking' school that is affiliated with the Hasso Plattner School of Design Thinking, Germany

Directorships in other listed companies held over the preceding three years
- Nil

Background and Experience
- A track record of 40 years in the media and communications industry, with working relations with leading publications including The Star (Malaysia), The Sun (Malaysia) and advertising consultancies and government agencies

Tang Nai Soon

Independent Director

Bachelor of Computer Science (Honours) Degree, Universiti Teknologi Malaysia, Malaysia

Date of first appointment as Director: 24 April 2014
Date of last re-appointment as Director: 22 April 2015
Length of services as Director: 2.7 years (as at 31 December 2016)

Served on the following Board Committees

- Remuneration Committee – Chairman
- Nominating Committee – Member

Present Directorships in other listed companies

- SCGM Berhad
- Spring Gallery Berhad

Present Principal Commitments

(other than directorships in other listed companies)

- A member of the Board of Trustees in Kulai 'Sejahtera' Foundation Johor, since 2015

Directorships in other listed companies held over the preceding three years

- Nil

Background and Experience

- A Member of the Johor State Legislative Assembly from 2008 to 2013
- Exposure to financial reporting, risk management and internal control systems in the field of work over the years

Ragesh Rajendran

Alternate Director to Datuk Seri Wong Chun Wai

Chartered Management Accountant with the Chartered Institute of Management Accountants (CIMA)
Chartered Accountant with the Malaysian Institute of Accountants (MIA)
Master of Business Administration (MBA), RMIT University, Australia

Date of first appointment as Alternate Director: 15 Mar 2017
Date of last re-appointment as Director: Not applicable
Length of services as Alternate Director: Not applicable (as at 31 December 2016)

Served on the following Board Committees

- Not applicable

Present Directorships in other listed companies

- Nil

Present Principal Commitments

(other than directorships in other listed companies)

- The Group CFO of Star Media Group Berhad since 1 April 2011
- The Director of Leaderonomics Sdn Bhd, a subsidiary of Star Media Group Berhad

Directorships in other listed companies held over the preceding three years

- Nil

Background and Experience

- Over 27 years of working experience in accounting, finance, business management, treasury, inventory management, credit control, payroll, taxation, and risk management
- Involved in Corporate re-structuring exercises, and investor relations including quarterly results briefing
- Involved in assessing potential mergers and acquisition, including evaluating the basis of valuation of target company, and the due diligence process

INVESTOR RELATIONS

The Group believes that good corporate governance is an essence for the Company for its added value, sustainable growth and competitiveness. Investor Relations ("IR") plays an important role in the Company's overall business operations- It reflects the efficient, transparent and verifiable management system of the Company, which strengthen the trust and confidence of shareholders.

We place high importance in nurturing good relations with our shareholders and our sell-side research analysts. We have embraced an internal IR structure to actively communicate with investors and analysts in the form of half-yearly presentations of results achieved as well as one-on-one meetings which enable the investors and analysts to be in direct communication with the Senior management.

The Company is also involved in participating and organising investor conferences. Examples of events organised is the Investors' Day as well as site visits to our AVENGERS S.T.A.T.I.O.N. exhibitions, when there are open interactions with the investment community on our business operations. This also enable shareholders and investors to better assess our performance in the different business divisions.

Cityneon adopts a high level of corporate governance with the practice of an organised and continuous provision of information on the Company, where announcements and press releases are disseminated via SGXNET to the SGX-ST and simultaneously up-loaded on our corporate website to ensure timely and fair disclosure. (http://cityneon.net/investor-relations/)

The Management and Investor Relations team engaged with more than 300 Fund managers and/or investors till date, through organised non-deal Roadshows in Singapore, Malaysia, Hong Kong, Taiwan, and United States of America.

2016

APRIL

- Non-Deal Road Show KL
- Non-Deal Road Show SG

MAY

- Non-Deal Road Show SG

JUNE

- Non-Deal Road Show KL
- Non-Deal Road Show SG
- Non-Deal Road Show USA

JULY

- Non-Deal Road Show KL
- Non-Deal Road Show SG

COVERAGE BY EQUITY RESEARCH HOUSES / ANALYSTS (RATED REPORTS)

- DBS Securities
- CIMB Securities
- UOB Kay Hian

(UN-RATED)

- Daiwa Capital Market
- CLSA Research
- Maybank Kim Eng

Cityneon Group's market capitalisation as at 31 December 2016 was $232 million based on share price of $0.95.

IR CONTACT

Emily Choo
Head, Corporate Development
Cityneon Holdings Limited
Email: emily.choo@cityneongroup.com

AUGUST
- Non-Deal Roadshow SG
- Post Results Non-Deal Roadshow
- 1H2016 Results Briefing

SEPTEMBER
- Non-Deal Roadshow TW
- Analysts Engagement

OCTOBER
- Non-Deal Road Show KL
- Non-Deal Road Show SG

NOVEMBER
- Non-Deal Roadshow SG
- Post Results Non-Deal Roadshow

DECEMBER
- Non-Deal Road Show SG

INVESTOR RELATIONS

CORPORATE GOVERNANCE

The Board of Directors (the "Board") and the Management of Cityneon Holdings Limited (the "Company") recognise the importance of ensuring high standards of corporate governance by complying with the guidelines set out in the Singapore Code of Corporate Governance 2012 (the "Code") issued on 2 May 2012.

The Board believes that good corporate governance provides the overarching framework required for ethical, accountable and sustainable corporate environment, which indirectly safeguards the interests of the Company's shareholders and stakeholders.

This Corporate Governance Report (the "Report") sets out the Company's corporate governance processes and structures that were in place throughout the financial year, with relevant references to the principles and guidelines of the Code. The Board is pleased to confirm that for the financial year ended 31 December 2016 ("FY2016"), the Company has generally adhered to the principles and guidelines as set out in the Code, except for certain deviations which are explained below.

BOARD MATTERS

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 Board's Conduct of its Affairs

The primary function of the Board is to protect and enhance long-term value and returns for its shareholders. Each Director exercises independent judgement to act in good faith and in the best interest of the Company. Besides carrying out its statutory responsibilities, the Board's role is to:

(a) provide entrepreneurial leadership, set strategic objectives and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;

(b) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;

(c) review, assess and approve material contracts and transactions;

(d) review management performance and oversee the Company's overall performance objectives, key operational initiatives, financial plans, financial performance reviews, budget, and material transactions;

(e) identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;

(f) set the Company's values and standards, including ethical standards and ensure that obligations to shareholders and other stakeholders are understood and met; and

(g) consider and provide guidance on sustainability issues, such as environmental, social, and governance factors, as part of the Group's overall business strategy.

The Directors have each been given an undertaking that in the exercise of their powers and duties as a Director or Executive Officer of the Company, they shall apply their best endeavours to comply with the requirements of Singapore Exchange Securities Trading Limited ("SGX-ST"), pursuant to or in connection with the SGX-ST Listing Manual in force.

In addition to the above, the Board is guided by the Code of Governance and Directors' Code of Professional Conduct laid down in the SID Codes issued by the Singapore Institute of Directors (SID). The link has been included in the Company's website at www.cityneon.net. It sets out the Board's principles on dealing with conflict of interests, maintaining confidentiality, and compliance with the laws and regulations. The Directors are committed to objectively discharge their duties and responsibilities at all times as fiduciaries in the best interests of the Company, and help nurture an environment where integrity and accountability are key.

Any Director who has a conflict of interest, or appears to have a conflict of interest, in relation to any matter, should immediately declare his interest at a meeting of the Directors or send a written notice to the Company containing details of his interest and the conflict, and recuse himself from participating in any discussion and decision on the matter. The Company has requested that all Directors sign a declaration of interest form yearly.

Five (5) formal board meetings were held during FY2016. Ad-hoc meetings are convened either by way of physical attendance or by telephonic conference, as and when they are deemed necessary.

The Board's approval is required for matters such as the Group's financial plans and annual budget, acceptance of bank facilities, major investment and divestment proposals, material acquisitions and disposal of assets, interested person transactions of a material nature, major corporate policies on key areas of operations, declaration of dividends, release of the Group's half-yearly and full year financial results, and any major decisions that may have an impact on the Group's business and reputation.

Delegation of Authority to Board Committees

The Board is supported by a number of committees to assist it in the discharge of its responsibilities and to enhance the Company's corporate governance framework. These committees include the Nominating Committee ("NC"), the Remuneration Committee ("RC"), the Audit Committee ("AC") and the Finance Committee ("FC"). Each Board Committee has its own specific Terms of Reference setting out the scope of its duties and responsibilities, rules and regulations, and procedures governing the manner in which it is to operate and how decisions are to be taken. Terms of Reference are provided to each newly appointed Board Committee members.

The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to Board Committees and the Management via a structured Delegation of Authority matrix. This matrix is reviewed on a regular basis and accordingly revised when necessary. More details on the Board's delegation are presented below and in this report. The Board Committees and the Management remain accountable to the Board.

Finance Committee

The FC is chaired by Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan and its members include Mr Tan Aik Ti, Ron, Datuk Seri Wong Chun Wai and Mr Ng Fook Ai Victor. Within the limits of authority delegated by the Board, the FC is responsible for the Group's budgeting and financial performance, financial strategy, planning and policy, financial reporting, and review on Corporate actions. The FC also advises and makes recommendations to the Board in respect of the above matters, and in areas within the Committee's remit where action or improvement is needed.

Meetings of Board and Board Committees

The Board and its Committees met regularly. On occasions when Directors were unable to attend meetings in person, telephonic means were used as allowed under the Company's Constitution.

The attendance of the Directors in FY2016 as well as the frequency of the meetings are set out below:

	Board	**AC**	**NC**	**RC**	**FC**
Total Number of Meetings Held in FY2016	**5**	**4**	**3**	**3**	**2**
Name of Director					
Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan[1]	NA	NA	NA	NA	NA
Mr Tan Aik Ti, Ron[2]	5	–	–	–	2
Datuk Seri Wong Chun Wai[3]	5	–	2	–	0
Datuk Roger Tan Kor Mee	4	–	3	3	–
Dato' Lee Yeow Chor @ Lee Yew Meng[4]	3	1	–	–	–
Mr Tang Nai Soon[5]	5	2	2	2	–
Mr Ng Fook Ai Victor[6]	4	2	–	–	2
Mr Ragesh Rajendran[7]	NA	–	–	–	–
Mr Lew Weng Ho[8]	5	4	–	2	2
Mr Ko Chee Wah[9]	1	–	–	–	–
Mr Lim Poh Hock[10]	1	–	–	–	–
Mr Tan Hup Foi @ Tap Hup Hoi[11]	1	2	1	1	–
Tan Sri Dato' Sri Kuan Peng Ching @ Kuan Peng Soon[12]	0	–	0	0	–
Mr Lim Liat Hong[13]	1	–	–	–	–
Mr Chan Shiang Chiat[14]	0	–	–	–	–

Note:

1. *Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan was appointed as Chairman of the Board and Finance Committee, and a Member of the Audit Committee and Remuneration Committee on 7 February 2017.*
2. *Mr Tan Aik Ti, Ron was appointed as the Group Chief Executive Officer on 1 January 2017 and a Member of the Finance Committee on 27 October 2016.*
3. *Datuk Seri Wong Chun Wai was appointed as a Member of the Nominating Committee on 10 June 2016 and the Finance Committee on 27 October 2016.*
4. *Dato' Lee Yeow Chor @ Lee Yew Meng was appointed as an Independent Director on 25 May 2016 and a Member of the Audit Committee on 13 June 2016.*
5. *Mr Tang Nai Soon was appointed as Chairman of the Remuneration Committee on 22 February 2016 and a Member of the Nominating Committee on 10 June 2016.*
6. *Mr Ng Fook Ai Victor was appointed as an Independent Director on 10 June 2016, Chairman of the Audit Committee on 13 June 2016 and Lead Independent Director on 27 October 2016. He was also appointed as a Member of the Finance Committee on 27 October 2016.*
7. *Mr Ragesh Rajendran was appointed as an Alternate Director to Datuk Seri Wong Chun Wai on 15 March 2017.*
8. *Mr Lew Weng Ho resigned as the Non-executive Chairman of the Board, and ceased to be Chairman of the Finance Committee and a Member of the Audit Committee and Remuneration Committee on 7 February 2017.*
9. *Mr Ko Chee Wah retired as an Executive Director and Group Managing Director on 31 July 2016.*
10. *Mr Lim Poh Hock resigned as a Non-executive Director on 16 May 2016.*
11. *Mr Tan Hup Foi @ Tan Hup Hoi retired as an Independent Director, and ceased to be the Lead Independent Director, Chairman of the Audit Committee and a Member of the Nominating Committee on 22 April 2016.*
12. *Tan Sri Dato' Sri Kuan Peng Ching @ Kuan Peng Soon retired as a Non-executive Director, and ceased to be a Member of the Nominating Committee and Remuneration Committee on 22 April 2016.*
13. *Mr Lim Liat Hong ceased to be an Alternate Director to Tan Sri Dato' Sri Kuan Peng Ching @ Kuan Peng Soon on 22 April 2016.*
14. *Mr Chan Shiang Chiat ceased to be an Alternate Director to Datuk Seri Wong Chun Wai on 15 March 2017.*

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

Independent Element of the Board

The Board comprises seven (7) Directors of which four (4) are independent. The Company maintains a strong and independent element on the Board by going beyond what has been set out in the Code, with the Independent Directors constituting more than half of the Board.

No Director qualifies as independent unless the Board affirmatively determines that the Director has no material relationship with the Company. Any re-designation of Directors from Non-independent to Independent will be subject to the three year cooling off period as specified in the Code.

The Independent Directors have confirmed that they do not have any relationship with the Company or its related companies or its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Company, and they are able to exercise objective judgement on corporate affairs independently from the Management and its 10% shareholders. The independence of the Directors is reviewed by the NC annually.

Therefore, no individual or small group of individuals is able to dominate the Board's decision-making. Furthermore, by having a high representation of Independent Directors, it allows the Board to have an effective and robust discussion on business strategy or internal related issues with Management. Each member of the Board is able to exercise their independent judgement and objective perspective when participating in such discussions.

Composition and Size of the Board

Annually, the Board's structure, size and composition is reviewed by the NC. For FY2016, the NC has evaluated the composition of the Board, each member's availability to dedicate their time to the Company's business, as well as the size of the Board. The NC is of the view that the current size of the Board is optimal, taking into account the nature and scope of the Group's operations as well as to facilitate effective decision making. The NC has also reviewed and confirmed, as set out under the guidelines of the Code, the criteria of independence of Datuk Roger Tan Kor Mee, Dato' Lee Yeow Chor @ Lee Yew Meng, Mr Ng Fook Ai Victor and Mr Tang Nai Soon, who are the Independent Directors. None of the Independent Directors has served on the Board for more than nine (9) Years from the date of his first appointment.

The listing of the Chairman and the members of the Board and Board Committees are as follows:

Name of Director	Designation	AC	NC	RC	FC
Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan[1]	Non-executive Chairman	Member	–	Member	Chairman
Mr Tan Aik Ti, Ron[2]	Executive Director and Group Chief Executive Officer	–	–	–	Member
Datuk Seri Wong Chun Wai[3]	Non-executive Director	–	Member	–	Member
Datuk Roger Tan Kor Mee[4]	Independent Director	–	Chairman	Member	–
Dato' Lee Yeow Chor @ Lee Yew Meng[5]	Independent Director	Member	–	–	–
Mr Ng Fook Ai Victor[6]	Lead Independent Director	Chairman	–	–	Member
Mr Tang Nai Soon[7]	Independent Director	–	Member	Chairman	–
Mr Ragesh Rajendran[8]	Alternate Director	–	–	–	–

Note:

1. *Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan was appointed as Chairman of the Board and Finance Committee, and a Member of the Audit Committee and Remuneration Committee on 7 February 2017.*
2. *Mr Tan Aik Ti, Ron was appointed as the Group Chief Executive Officer on 1 January 2017 and a Member of the Finance Committee on 27 October 2016.*
3. *Datuk Seri Wong Chun Wai was appointed as a Member of the Nominating Committee on 10 June 2016 and the Finance Committee on 27 October 2016.*
4. *Datuk Roger Tan Kor Mee was appointed as an Independent Director, Chairman of the Nominating Committee and a Member of the Remuneration Committee on 22 May 2015.*
5. *Dato' Lee Yeow Chor @ Lee Yew Meng was appointed as an Independent Director on 25 May 2016 and a Member of the Audit Committee on 13 June 2016.*
6. *Mr Ng Fook Ai Victor was appointed as an Independent Director on 10 June 2016, Chairman of the Audit Committee on 13 June 2016 and Lead Independent Director on 27 October 2016. He was also appointed as a Member of the Finance Committee on 27 October 2016.*
7. *Mr Tang Nai Soon was appointed as an Independent Director on 24 April 2014, Chairman of the Remuneration Committee on 22 February 2016 and a Member of the Nominating Committee on 10 June 2016.*
8. *Mr Ragesh Rajendran was appointed as an Alternate Director to Datuk Seri Wong Chun Wai on 15 March 2017.*

Non-executive Directors of the Company have always constructively challenged and helped develop proposal on strategy and review the performance of the Management in meeting agreed goals and objectives and monitor the reporting of performance. Non-executive Directors meet informally at least once a year without the presence of Management.

The NC is of the view that each Director possesses knowledge and experiences related to their fields which allows the Board to have diverse views when discussing strategy or business related matters. A brief description on the background of each Director is presented in pages 18 to 21 under the section named "Board of Directors".

CHAIRMAN AND EXECUTIVE DIRECTOR AND GROUP 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.

The Company has provided a clear division of responsibilities between the Chairman and the Executive Director and Group Chief Executive Officer ("Group CEO") so that no individual at the top wields excessive concentration of power. Their roles are kept separate to ensure increased accountability and a greater capacity of the Board for independent decision-making.

Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan is the Independent Non-executive Chairman of Star Media Group Berhad, the Company's ultimate holding company. As such, he is considered to be a Non-independent Chairman of the Company's Board and he is not related to and is not an immediate family member of Mr Tan Aik Ti, Ron, the Executive Director and Group CEO.

Roles and Responsibilities of Chairman

The Chairman is responsible for the following:

(a) Lead the Board to ensure its effectiveness;

(b) Set the agenda and ensure information flow and timing are adequate for discussion;

(c) Lead and ensure effective and comprehensive Board discussion on matters brought to the Board, including strategic issues and business planning;

(d) Promote a culture of openness and debate at the Board;

(e) Ensure that the Directors receive complete, adequate and up-to-date information;

(f) Ensure effective communication with shareholders;

(g) Encourage constructive relations with the Board and between the Board and Management;

(h) Facilitate effective contribution of Non-executive Directors; and

(i) Continuous pursuance of high standards of corporate governance.

During the year, the former Executive Director and Group Managing Director, Mr Ko Chee Wah has retired. The Executive Director and Group CEO, Mr Tan Aik Ti, Ron was appointed after deliberation by the NC on his qualifications, working experience and contributions to the Company. Mr Tan Aik Ti, Ron is responsible for the day-to-day executive management of the Group's operations. His role is also to implement the strategies, policies and business initiatives approved by the Board. For business matters, which require adherence or compliance with regulatory standards or corporate governance guidelines, he will seek counsel or assistance from legal advisors or professionals who are expert in those fields.

Lead Independent Director

As recommended by the Code, the Board appointed Mr Ng Fook Ai Victor as the Lead Independent Director on 27 October 2016. The Lead Independent Director shall be available to shareholders where they have concerns and for which contact through the normal channels of the Chairman, the Executive Director and Group CEO or the Chief Financial Officer ("CFO") has failed to resolve or is inappropriate. The Lead Independent Director also meets informally with the Independent Directors without the presence of other Directors and provide feedback to the Chairman after such meetings.

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 comprises three (3) Directors, a majority of whom, including the Chairman of NC is independent. The NC members are as follows:

Datuk Roger Tan Kor Mee	–	Chairman (appointed on 22 May 2015)
Datuk Seri Wong Chun Wai	–	Member (appointed on 10 June 2016)
Mr Tang Nai Soon	–	Member (appointed on 10 June 2016)

The NC is guided by its written Terms of Reference which details NC's responsibilities and the procedures to conduct NC meeting. A brief summary of duties and responsibilities of the NC are as follows:

(a) To recommend to the Board on all Board appointments and re-appointments, having regard to the Directors' contributions and performance;

(b) To review the training and professional development programs for the Board;

(c) To assess annually the performance of the Board, the Board Committees and the Directors, and review whether each Director is independent in accordance with the Code;

(d) To review Board succession plans for Directors and the Group CEO;

(e) To ensure that all Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three (3) years;

(f) To review annually the independence declarations made by the Independent Directors based on the criterion of independence under the guidelines provided in the Code, as well as the number of years served by each Independent Director;

(g) To ensure every Director shall, upon appointment, and subsequently on an annual basis, submit to the Company Secretary a confirmation of independence, and shall review the change in circumstances and make its recommendation to the Board; and

(h) To ensure that the Independent Director notify the Board immediately, if, as a result of change in circumstances, he no longer meets the criteria for independence. The NC shall then review the change in circumstances and make its recommendation to the Board.

Appointment and Re-Appointment of Directors

Appointments and re-appointments to the Board are made on merit and measured against objective criteria. Currently, the Executive Director and Group CEO appointed by the Company are issued with a Service Contract setting out the duties and obligations. A formal letter of appointment will be issued to all newly appointed Directors.

Each Director submits himself for re-nomination and re-election at regular intervals of at least once every three (3) years. In accordance with the Company's Constitution, at least one-third (1/3) of the Directors for the time being shall retire from office by rotation at each AGM, provided that all Directors shall retire from office at least once every three (3) years, but shall be eligible for re-election. Newly appointed Directors are subject to retirement and re-election at the AGM immediately following their appointment. Each member of the NC abstains from voting on any resolutions and from making any recommendations and / or participating in any deliberations in respect of his re-election as a Director.

Mr Tang Nai Soon will retire at the forthcoming AGM in accordance with Article 104 of the Constitution of the Company and will be eligible for re-election at the forthcoming AGM.

Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan, Dato' Lee Yeow Chor @ Lee Yew Meng and Mr Ng Fook Ai Victor will retire pursuant to Article 108 of the Constitution of the Company and will be eligible for re-election at the forthcoming AGM.

The Board currently has one (1) Alternate Director, Mr Ragesh Rajendran, since 15 March 2017. The NC and the Board had reviewed and concluded that Mr Ragesh Rajendran is familiar with the Company affairs and appropriately qualified as an Alternate Director. The Alternate Director bears all the duties and responsibilities of a Director, and ceases to hold office when the person for whom he is alternate, ceases to hold office. The Company is of the view that such permission granted for an Alternate Director to act in the Director's place when he is unable to attend to Company's business for various reasons is essential, as it removes the need for an additional Director to be appointed.

The dates of appointment and last re-election of the Directors are set out in pages 18 to 21 under the section named "Board of Directors".

Review of Directors' Time Commitments

The NC, in assessing the performance of the individual Director, considers whether sufficient time and attention have been given by each Director to the affairs of the Company. It has regard to the Director's other Board memberships and commitments. For FY2016, the Board is satisfied that the Directors have given sufficient time and attention to the affairs of the Company and have discharged their duties adequately. There is therefore no limit on the number of Board representations which a Director may hold, as the Directors have demonstrated their commitment and effectiveness in discharging their duties and responsibilities and avoiding actual or potential conflicts of interest from serving on other boards.

New Appointment, Selection and Re-nomination of Directors

In its search and selection process for new Directors, the NC considers the attributes of the existing Board members and reviews the composition of the Board including the diversity of skills, knowledge and experience. Other considerations include, but not limited to background, gender, age and ethnicity. The short-listed candidates, who are identified from various sources, would be required to furnish their curricula vitae stating in detail their qualification, working experience, employment history, in addition to completing certain prescribed forms to enable the NC to assess the candidates' independence status and compliance with the Company's established internal guidelines. Thereafter, the NC will interview the candidates and make its recommendation to the Board for approval. In accordance with the Company's Constitution, the new Directors will hold office until the next AGM and, if eligible, can stand for re-election.

The NC may tap on its network of contacts and / or engage external recruitment consultants to assist in searching the potential candidates, if required.

Board Orientation and Training

Newly appointed Directors will be briefed on the business activities of the Group and its strategic directions, as well as duties and responsibilities as Directors. In addition, formal training will be provided to new Directors where required or requested.

The Company recognises the importance of ongoing training and development for existing Directors and is responsible for arranging regular training for the Company's Directors in relevant skill areas and industry knowledge as appropriate. The Management will circulate a list of available courses and curriculum for the financial year at least once annually. As part of training and professional development for the Board, the Company encourages that Directors are briefed from time to time on applicable accounting and relevant regulatory changes, as well as major industry and market developments.

The training programs undertaken by some of the Directors in improving themselves in the discharge of their duties during FY2016 are as follows:

S/N	Training Program	Training Provider	Participant
1	Audit Committee Seminar 2016 – Raising the Bar for Financial Reporting and Audit	Accounting and Corporate Regulatory Authority ("ACRA"), Singapore Exchange Limited ("SGX"), Singapore Institute of Directors ("SID")	Mr Ng Fook Ai Victor
2	Cybersecurity and Technology Risk Training	Ernst & Young LLP	Mr Ng Fook Ai Victor
3	Regulatory Awareness Briefing – Anti-Money Laundering and Conflicts of Interest	PwC Singapore	Mr Ng Fook Ai Victor
4	Briefing on the New and Revised Auditor Reporting Standards in line with the Revised International Standards on Auditing	BDO Malaysia	Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan Datuk Seri Wong Chun Wai
5	How Effective Boards Engage on Succession Planning for the CEO and Top Management	PNB Investment Institute Sdn Bhd ("PNBi")	Datuk Seri Wong Chun Wai
6	Advocacy Sessions on Management Discussion and Analysis Program	Bursa Malaysia Berhad	Datuk Seri Wong Chun Wai
7	Audit Oversight Board – New Auditor's Report – Sharing the UK Experience	Securities Commission Malaysia	Mr Tang Nai Soon
8	Risk Management and Internal Control: Workshop for Audit Committee Members – An Integrated Assurance on Risk Management and Internal Control – Is Our Line of Defence Adequate and Effective?	CG Board Asia Pacific Sdn Bhd and Bursa Malaysia Berhad	Mr Tang Nai Soon
9	International Conference on The Belt and Road Initiative: The China-ASEAN Relations	Institute of Strategic Analysis and Policy Research ("INSAP") and Shanghai Academy of Social Sciences	Mr Tang Nai Soon

BOARD PERFORMANCE

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

Board Evaluation Process and Performance Criteria

The Board, through the NC, has used its best effort to ensure that Directors appointed to the Board, whether individually or collectively, possess the background, experience, knowledge in the business, competencies in finance and management skills critical to the Group's business. It has also ensured that each Director, with his special contributions, brings to the Board an independent and objective perspective to enable sound, balanced and well-considered decisions to be made.

As recommended by the Code, the NC has adopted a formal system of evaluating whether the Board, its Board Committees, and each Director are performing effectively, and identifying steps for improvement.

In conducting the appraisal process to assess the performance and effectiveness of the Board as a whole and its Board Committees, the NC focuses on a set of performance criteria which includes the evaluation of the size and composition of the Board, the Board's access to information, Board processes, internal control and accountability, Board performance in relation to discharging its principal responsibilities, Group CEO or top management succession planning and the Directors' standards of conduct.

Each Director has to complete the questionnaire drawn up based on the guidelines provided in the Code and submit it directly to the Company Secretary who collates the responses and produces a summary of the findings for review and deliberation by the NC. The NC Chairman then reports the findings to the Board so that an appropriate course of action is agreed.

At least once a year, in consultation with NC, the Board assesses its performance to identify key areas for improvement and requisite follow-up action. The effectiveness, contributions and performance in relation to the independence of each Director are also assessed by the NC as part of its periodic reviews of the composition of the Board.

The NC has reviewed the independence of each Director for FY2016 in accordance with the Code's definition of independence. A Director of the Company is considered independent if he has no relationship with the Group, 10% Shareholders of the Company, Directors or officers of the Company that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgement in the best interest of the Company.

No external facilitator was appointed to assist in the formal assessment. The NC has also reviewed the training needs for the Directors in FY2016 and encouraged Directors to attend the relevant training courses that could enhance the knowledge of Directors to perform their duties as Directors of the Company.

ACCESS TO INFORMATION

Principle 6: In order to fulfill 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.

Complete, Adequate and Timely Information

The Company recognises that Directors should be provided with complete, adequate and timely information on an ongoing basis that enables them to make informed decisions, discharge their duties and keep abreast of the Group's business affairs. Members of the Board have free access to Management at all times so as to obtain insights into matters under discussion and address any queries that the Directors may have. The Board also has separate and independent access to the Senior Executives of the Company or Group at all times in carrying out its duties. The Board sets aside time during each scheduled meeting to meet without the presence of Management.

Prior to each Board and Board Committees meeting, the Management provides the Board with Board papers and related materials containing information relevant to matters on the agenda items for the meeting. Sufficient background information and / or explanatory information on financial, business and corporate issues are provided where required, to enable the Board to have a comprehensive understanding of the issues to be deliberated upon, thereby making an informed decision. Ongoing management reports relating to the operational and financial performance of the Company and information relating to the Group's competitors, industry and technological developments are also provided to the Board at least once every quarter.

Informal meetings are also held for the Management to brief Directors on prospective deals and potential developments in the early stages before formal Board approval is sought.

Company Secretary

The Board has separate and independent access to the Company Secretary. The appointment and the removal of the Company Secretary are subject to the Board's approval. The Company Secretary or his agent attends all Board and Board Committees meetings of the Company and prepares minutes of meetings, and is accountable directly to the Board. He is responsible for, among other things, ensuring that Board procedures are observed and that applicable rules and regulations are complied with.

Independent Professional Advice

Where decisions to be taken by the Board require special knowledge or expert opinion, the Board may seek independent professional advice as and when necessary to enable effective discharge of its responsibilities.

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 own remuneration.

Remuneration Committee

The RC comprises three (3) Directors, a majority of whom, including the Chairman of the RC, is independent. The RC members are as follows:

Mr Tang Nai Soon	–	Chairman (appointed on 22 February 2016)
Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan	–	Member (appointed on 7 February 2017)
Datuk Roger Tan Kor Mee	–	Member (appointed on 22 May 2015)

The RC is guided by its written Terms of Reference which describes the responsibilities of the RC and the procedures for RC meetings. Some of the duties and responsibilities of the RC include:

(a) Administer the Group's employee share option scheme in accordance with the Scheme Rules;

(b) Review and recommend to the Board an appropriate and competitive framework of remuneration packages for senior management including the Executive Directors. The framework covers the basic salary, bonus, allowances, and fringe benefits that are worked out based on the job scope, responsibilities and the industry's standards and the countries where the staff was posted; and

(c) Evaluate and propose payment of Directors' fees for the approval of members at the AGM. Directors' fees are proposed based on a framework comprising basic fees and additional fees for serving in the sub-committees.

With the assistance of the Remuneration Committee, the Board ensures that a formal policy and transparent procedure for determining remuneration of Directors and the Company's Key Management Personnel ("KMP") are in place. The Company has in place a remuneration framework for the Directors and KMP. KMP includes, but is not limited to, the Group CEO and Senior Management. On an annual basis, the RC reviews the annual increments and year-end bonuses, if any, to be granted to the KMP fairly and reasonably. The overriding principle is that no Director should be involved in deciding his own remuneration.

The Group CEO recuses himself from the discussions relating to his own compensation, terms and conditions of service, or the review of his performance. In addition, no RC member or any Director is involved in deliberations in respect of any remuneration, compensation, or any form of benefits to be granted to himself.

The RC has authority to engage any external professional advice on remuneration matters for Directors and Senior Management as and when necessary. The RC will ensure that existing relationships, if any, between the Company and its appointed consultants will not affect the independence and objectivity of the consultants. The Company will also disclose the names and firms of the consultants and its relationships, if any, in the annual remuneration report. No remuneration consultant in respect of the remuneration matters of Directors was engaged during FY2016.

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) KMP to successfully manage the company. However, companies should avoid paying more than necessary for this purpose.

The annual reviews of the compensation are carried out by the RC to ensure that the remuneration of the Executive Directors and KMP commensurate with the Company's and their performance, with due consideration to the financial and commercial health and business needs of the Group. Industry benchmarks are also taken into consideration. The RC is of the view that the Executive Directors have met its performance objectives for FY2016, and believes that its remuneration and reward system are aligned with the long-term interest of shareholders and risk policies of the Company.

For FY2016, the Independent Directors and Non-executive Directors except for Tan Sri Dato' Sri Kuan Peng Ching @ Kuan Peng Soon and Datuk Seri Wong Chun Wai received Directors' fees, in accordance with their contributions, taking into account factors such as effort, time spent, the responsibilities of the Directors and the need to pay appropriate fees to the Directors. Directors' fees are recommended by the Board for approval at the Company's AGM. The fees for Independent and Non-executive Directors, including the Chairman, comprise a basic retainer fee and additional fees for appointment to Board Committees. There are no retirement benefit schemes in place for the Independent Directors and Non-executive Directors.

The Executive Directors do not receive any Director's fee. They have service agreements with the Company that are renewed every three (3) years. In addition to the basic salary component and benefits-in-kind, the Executive Directors' remuneration is linked to performance via an incentive bonus based on profit after tax. The RC ensures that the remuneration packages of Executive Directors are comparable to industry practices and norms, and that it serves to align their interests with those of shareholders.

Key management remuneration comprises basic salary and a variable bonus which is based on individual and Group performance for that year. Key performance indicators that determine performance differs for each KMP. The Company continually defines and evaluates key performance indicators and eligibility criteria, as required.

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, in the Company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and KMP, and performance.

Remuneration of Directors

The remuneration of the Non-executive Directors for FY2016 are as follows:

Name of Director	Director Fees ($)
Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan (Appointed on 07-Feb-17)	–
Mr Lew Weng Ho (Resigned on 07-Feb-17)	116,735
Datuk Seri Wong Chun Wai	–
Mr Ng Fook Ai Victor (Appointed on 10-Jun-16)	26,025
Datuk Roger Tan Kor Mee	42,145
Mr Tang Nai Soon	42,910
Dato' Lee Yeow Chor @ Lee Yew Meng (Appointed on 25-May-16)	24,180
Mr Tan Hup Foi @ Tap Hup Hoi (Retired on 22-Apr-16)	16,776
Tan Sri Dato' Sri Kuan Peng Ching @ Kuan Peng Soon (Retired on 22-Apr-16)	–
Mr Lim Poh Hock (Resigned on 16-May-16)	13,005
Total ($)	**281,776**

The framework for determining Non-executive Directors' fees for FY2016 is set out below:

Basic Retainer Fee

Board Chairman	–	$110,000 per annum
Independent / Non–executive Director	–	$35,000 per annum
Lead Independent Director	–	$5,000 per annum

Fee for Appointment to Audit Committee

Committee Chairman	–	$10,000 per annum
Committee Member	–	$5,000 per annum

Fee for Appointment to Remuneration Committee and Nominating Committee

Committee Chairman	–	$5,000 per annum
Committee Member	–	$2,500 per annum

The fees for Non-executive Directors comprise a basic retainer fee and additional fees for appointment to Board Committees, and are subject to shareholders' approval at the AGM.

Remuneration of Key Executives

For FY2016, there were no termination, retirement and post-employment benefits granted to Directors and KMP.

Remuneration of Executive Directors

The compensation table for the Executive Directors for FY2016 is as follows:

Name of Director	Fixed Remuneration[1]	Variable Bonus[2]	Provident Fund[3]	Other Benefits[4]	Total Cash and Benefits[5]	
	%	%	%	%	%	$
Mr Tan Aik Ti, Ron	68.52	12.09	2.33	17.06	100	739,901
Mr Ko Chee Wah (retired on 31-Jul-16)	55.64	3.08	1.45	39.83	100	447,872

Note:

1. *Fixed remuneration refers to base salary earned for the FY2016.*
2. *Variable bonus varies according to business unit and performance objectives for the FY2016.*
3. *Provident fund refers to payments in respect of company statutory contributions to the Singapore Central Provident Fund Board.*
4. *Benefits include, but not limited to payment in lieu of notice, car benefits, flexible allowances, and other non-cash benefits such as medical coverage where applicable.*
5. *Total cash and benefits earned is the sum of fixed remuneration, provident fund, benefits and variable bonus paid out for the FY2016.*

Remuneration of Top Five (5) Key Management Personnel

Given the highly competitive industry conditions and in the interest of maintaining good morale and a strong spirit of teamwork within the Group, the Company has not disclosed the remuneration of the top five (5) KMP (who are not Directors or Group CEO of the Company) for FY2016. Remuneration for KMPs commensurate with their performance and contributions.

Immediate Family Member of Directors, Chairman or Group CEO

For FY2016, there is no employee who is an immediate family member of the Directors, Non-executive Chairman or Executive Director and Group CEO and whose remuneration exceeded $50,000. "Immediate family member" refers to spouse, child, adopted child, stepchild, brother, sister and parent.

Employee Share Option Scheme ("ESOS")

The Company has an employee share option scheme, administered by the RC, for granting of non-transferable options to Executive and Non-executive Directors and employees of the Group (including controlling shareholders and their associates). The aggregate nominal amount of new shares over which options may be granted shall not exceed 15% of the issued share capital of the Company. For FY2016, no option was granted by the RC to any employee.

Please refer to pages 110 to 112 for details of the options granted under the ESOS on the unissued ordinary shares of the Company as at end of the financial year.

The ESOS has expired in year 2015. All outstanding options which have not been exercised are being administered by the RC.

The Company will consider establishing a new share scheme for its Directors and employees at an appropriate time.

ACCOUNTABILITY AND AUDIT

Accountability

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

The Company believes that presenting a balanced view of the Company's performance, position and prospects is imperative to maintaining shareholder's confidence and trust. The Board is accountable to shareholders for the management of the Group and updates shareholders on the operations and financial position of the Group through the timely release of its half year and full year financial results, and announcements on other matters as prescribed by the relevant rules and regulations through SGXNET. The Board also reviews legislation and regulatory compliance reports from the Management to ensure that the Group complies with relevant statutory reporting requirements. Qualified personnel are tasked to oversee key laws and regulations for compliance, specifically in the areas of listing, contracts and corporations, as well as to observe ethical standards and industry best practices.

To support the Board, the Management provides all members of the Board with management accounts which comprises the consolidated profit and loss accounts, sales order, sales analysis, operating profit, profit before tax and attributable profit by major regions and segments followed by explanations of significant variances for the half year and year-to-date, and other relevant disclosure documents where appropriate. Frequent updates by the Management are carried out through periodic meetings with the FC to review and assess the performance of the Group.

In addition, negative assurance statements supported by the Group CEO and CFO were issued to accompany the Company's half year financial results announcements, giving shareholders confirmation that to the best of its knowledge, nothing had come to its attention which would render the Company's financial results false or misleading.

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 Board has overall responsibility for the governance of risk and exercises oversight of the material risks in the Group's business. The Board and the Management are committed to maintaining sound risk management and internal control systems to safeguard the interests of shareholders and the assets of the Group.

Adequate and Effective System of Internal Controls

The Company has put in place a risk management and internal control system in areas such as financial, operational, compliance and information technology controls. Risk management and internal controls are detailed in formal instructions, standard operating procedures and financial authority limits policies. The Management maintains the risk management and internal controls system and the Board monitors the Group's risks through the AC and internal auditors. In designing these controls, the Company has considered the risks to which the business is exposed, the likelihood of such risks occurring and the costs of protecting against them.

<u>Enterprise Risk Management ("ERM") Framework</u>

The Group has adopted the ERM framework where it has established Risk Management Policy and Guidelines for adoption. The ERM framework is designed to the framework that enables management to address the operational risks, financial risks and compliance risks of the key operating units.

The ERM incorporate the following processes:

- Identify each risk factor to which the Group is exposed;
- Quantify each exposure's size in term of money;
- Map these inputs into a risk estimation calculation;

- Identify overall risk exposures as well as the contribution to overall risk deriving from each risk factor;

- Set up a process to report on these risk periodically to Management, who will set a committee of division heads and executives to determine capital allocations, risk limits and risk management policies; and

- Monitor compliance with policies and risk limits.

The ERM allows the Group to be in compliance with the Code, addresses the on-going changes and challenges in the business environment, manages and reduces uncertainties in business environment, facilitates the shareholder value creation process and to assist the AC and the Board in discharging their responsibilities.

Control Self-Assessment ("CSA") Process

As part of continuous improvement to the ERM framework, the Management undertakes and performs a CSA Process. CSA was established since 2012 to obtain feedback on the state of internal controls. The process requires the Company and its subsidiaries to review and report annually on the effectiveness of controls and the control environment to the outsourced Internal Audit Function, in which findings will then be presented to the AC and Board.

The key components include:

(a) Risk assessment – Risks that the Company is exposed to are identified, assessed and updated in the risk register. The risks are rated and ranked in accordance to the likelihood and its impact. Top risks are highlighted for extra emphasis; and

(b) Risks monitoring – Risks are monitored through internal audits, internal reviews, questionnaires circulated to Management and the CSA Process.

The controls are to provide reasonable, but not absolute, assurance to safeguard shareholders' investments and the Group's assets. The Board recognises that no internal control system could provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud, or other irregularities.

The top five (5) risks the Group faces are identified below:

S/N	Risk Type	Category	Risk Exposure	Established Controls
1	Infringement and Image Rights Risk	Operational	Possible breach of Terms of Agreement with Marvel and wrongful use of the image rights of Marvel characters	– Deliberate and careful review of all Terms of Agreement with Marvel – Running all development, including any use of advertisements with Marvel for clearance
2	Business Continuity Risk	Strategic	Outbreak of pandemic disease such as MERS, H5N1, Ebola or SARS may adversely affect the meetings, incentives, conventions and exhibitions ("MICE") businesses	– Web-based system allows staff to work from home – Formalised business continuity plan and continue to diversify geographically – Closely monitor situation and take pre-emptive measures
3	Country Risk – Middle East	Strategic	Outbreak of war and political unrest in the Middle East may disrupt business operations and result in loss of assets	– Division of contracts – Inclusion of partial reimbursement clause in contractual conditions – Insurance – Continue to monitor situation and take pre-emptive measures
4	Key Man Risks	Operational	Resignation or unavailability of CEO could unduly affect the smooth operations of the Group	– Adequate remuneration to attract and retain key personnel – Having a strong deputy to cover work of incumbent in the event of temporary unavailability
5	Business Performance Risks	Strategic	Inability of the Group to achieve the level of business performance expected by retail and institutional shareholders and investment community through ineffective strategic planning by the Board and poor execution by Management	– The Board is to carry out continuous long-range, robust and strategic planning, and to guide a strong and adequately staffed Management Team to deliver business performance

Assurance and Confirmation

The AC and the Board review the effectiveness of the key internal controls, including financial, operational, compliance controls, and risk management on an on-going basis.

The Board has received assurance from the Group CEO and the CFO for the period under review:

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances;

(b) that the Company's risk management and internal control systems are in place and effective; and

(c) that internal and external auditors conduct audits that involve testing the effectiveness of the material internal controls in the Group, and addressing financial, operational, compliance and information technology risks.

Based on the ERM framework and internal controls established and maintained by the Company, work performed by the external auditor and internal auditor and reviews performed by the Management, various Board Committees and the Board, the Board, with the concurrence of the AC, is satisfied that there are adequate and effective internal controls and risk management systems in the Group in addressing financial, operational, compliance risks and information technology controls.

The Board is of the view that the Group's risk management framework is satisfactory and continues to be sound. The Company has complied with Rule 1207(10) of the SGX-ST Listing Manual.

The Board will continue to look into establishing a separate Board Risk Committee in overseeing the Company's risk management framework and execution of policies.

Whistle-Blowing Policy

The Group has in place a Whistle-Blowing Policy since 11 August 2009. This aims to encourage the reporting of suspected fraud, corruption, dishonest practices or any other misdemeanours in good faith. Employees are provided with an independent feedback channel and are protected from reprisal to the extent possible. Details of this policy have been disseminated and made available to all employees of the Company. All matters which are raised, including anonymous complaints, are independently investigated. Appropriate actions will then be taken.

As part of the Whistle-Blowing policy, a Board Escalation Process has been established. Major incidents and violations including major / material operational loss events and potential breaches of laws and regulations by the Company, key officers, and / or employees are required to be reported to the AC immediately to facilitate the investigations and actions taken. The AC will then submit the reports received and actions taken to the Board. The Board reserves the right to make any decision based on the findings by the AC.

The existing members of the Whistle Blowing Committee are Mr Ng Fook Ai Victor, Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan and Dato' Lee Yeow Chor @ Lee Yew Meng.

The Whistle Blowing Committee did not receive any report or concern during FY2016.

AUDIT COMMITTEE

Principle 12: The Board should establish an AC with written Terms of Reference which clearly set out its authority and duties.

As at the date of this Report, the members of the AC are:

Mr Ng Fook Ai Victor	–	Chairman (appointed on 13 June 2016)
Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan	–	Member (appointed on 7 February 2017)
Dato' Lee Yeow Chor @ Lee Yew Meng	–	Member (appointed on 13 June 2016)

The AC comprises three (3) Directors, a majority of whom, including the Chairman of the AC, is independent. The AC Chairman is also the Lead Independent Director.

At least two (2) members of the AC, including the AC Chairman, have recent and relevant accounting or related financial management expertise or experience, thereby bringing with them invaluable recent and relevant managerial and professional expertise in this domain.

None of the members of the AC is a former partner of the Company's external audit firm or has any financial interest in the audit firm.

Authority and Duties of the AC

The AC assists the Board in discharging its responsibility to safeguard the Company's assets, maintain adequate accounting records, develop and maintain effective systems of internal control.

The functions performed by the AC are as follows:

Internal Control

(a) To revise the Group's Whistle Blowing Policy, whenever required, and oversee the Group's Whistle Blowing Policy;

(b) To review the Group's procedures for detecting fraud and whistleblowing, and ensure that arrangements are in place by which employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;

(c) To review and report to the Board (at least annually) the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls and risk management policies and systems;

(d) To review the statements included in the annual report on the Group's internal controls and risk management framework; and

(e) To review reports from Management and Internal Auditors on the effectiveness of the systems for internal control, financial reporting and risk management.

External Audit

(a) To review with the external auditors their audit plan, the results of their examinations and their evaluation of the system of internal accounting controls, the auditors' management letter and management's response to it, and the audit report;

(b) To review the scope and results of the audit, including significant financial reporting issues, and the independence and objectivity of the external auditor, as well as the assistance given by the Management to the auditors;

(c) To review the volume of non-audit services supplied by the external auditors to the Company, keeping in view the nature and extent of such services under review, seeking to balance the maintenance of objectivity, independence, and value for the money;

(d) To meet with the external auditors, without the presence of the Company's Management, at least once annually, or when required, to discuss issues arising from the audit, including the assistance given by the Management to the auditors;

(e) To make recommendations to the Board on the proposals to the shareholders on the appointment, and re-appointment of the external auditor, and approve the remuneration and terms of engagement thereof;

(f) To review half year and full year financial results announcements as well as the financial statements of the Group and the adequacy and accuracy of information disclosed prior to submission to the Board for approval;

(g) To report to the Board its findings from time to time on matters arising and requiring the attention of the AC;

(h) To undertake such other reviews and projects as may be requested by the Board; and

(i) Undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual, and by such amendments made thereto from time to time.

Internal Audit

(a) To review the effectiveness of the Company's internal audit functions, its scope and results;

(b) To review and report to the Board at least annually on the adequacy and effectiveness of the Company's risk management and internal controls, including financial, operational, compliance and information technology controls;

(c) To review and monitor management's responsiveness to the internal audit findings and recommendations;

(d) To meet with the internal auditors, without the presence of the Company's Management, at least once annually, or when required;

(e) To make recommendations to the Board on the appointment, and re-appointment of the internal auditor, and approve the remuneration and terms of engagement thereof; and

(f) To ensure that the Internal Auditor has direct and unrestricted access to the Chairman of the Board and the AC.

Interested Person Transactions ("IPT")

(a) To approve the control procedures and arrangements for all future related party transactions to ensure that they are carried out on arm's length basis and on normal commercial terms;

(b) To review and approve IPTs falling within the Scope of Chapter 9 of the SGX-ST Listing Manual;

(c) To consider the need for a general mandate for IPT and obtain independent advisory support, if required;

(d) To consider if basis of determining transaction process is adequate in ensuring fair transaction terms, if general mandate is to be renewed; and

(e) To receive report from Management on IPT.

In addition, the AC shall review any potential conflicts of interest and shall ensure that each member of the AC abstain from voting on any resolutions in respect of matters in which he is interested in.

The AC has full access to and co-operation of the Management, has full discretion to invite any Director or executive officer to attend the meetings, and has been given the resources required for it to discharge its functions.

There were four (4) AC meetings held during the financial year under review. The AC had met the internal and external auditors separately, by setting aside time at each scheduled meeting, at least once during the year without the presence of Management, and had unfettered access to any information that it may require.

During the FY2016, the AC also reviewed the debtor ageing, adequacy and timeliness of the Management's responses to the recommendations made by the internal or external auditors apart from the reviews as mentioned above.

External Auditors

During the year, the AC reviewed and considered the proposal from the incumbent auditors and was satisfied with the audit quality and independence of the incumbent auditors. The AC then made a recommendation to the Board that BDO LLP be nominated for re-appointment as external auditors for the Group for FY2016 at the previous AGM. In order to maintain the independence of external auditors, the Company enforces that cumulative fee for non-audit services must not exceed 50% of audit fees, and has the approval process in place regarding the engagement of the non-audit services.

The AC had reviewed the non-audit services provided by the external auditors, BDO LLP and is of the opinion that the provision of such services does not affect their independence. The aggregate amount of fees paid to BDO LLP during FY2016 are as follows:

(a) Audit fees – $165,000
(b) Non-audit fees – $44,500

The Group confirms that it has complied with Rules 712, 715 and 716 of the SGX-ST Listing Manual in relation to its auditing firms.

INTERNAL AUDIT

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

Professional Standards and Competency

The internal audit function is outsourced to JF Virtus Pte Ltd, an independent assurance services provider that specialises in enterprise risk management, internal auditing, business continuity planning, and information security management. The Company believes that having an outsourced IA service provider has many advantages and it offers short and long-term cost flexibility and scalability, a consultative mind-set on a range of risks and issues, and industry-specific leading practices and knowledge acquired by working with other clients which the Company may not be privy to. JF Virtus Pte Ltd is guided by the International Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors (IIA) in the conduct of its audit practices. In performing the internal audits effectively, the team comprises suitably qualified professional staff with the requisite skill sets and experience, thereby ensuring that the internal audit function is adequately resourced and has the appropriate standing.

Adequacy and Effectiveness of the Internal Audit Function

The internal auditor's primary line of reporting is to the Chairman of the AC which is tasked to oversee and review the adequacy of the overall systems of risk management and internal controls within the Group. Administratively, the internal auditor reports to the Group CEO. The Internal Auditor has unfettered access to the AC, the Board and Management, as well as the right to seek information and explanation.

The internal auditors plan its internal audit schedules in consultation with, but independent of the Management. Based on risk assessments performed, greater emphasis and appropriate internal reviews are planned for high risk areas and material internal controls, including compliance with Group's policies, procedures and regulatory responsibilities. The audit plan is then submitted to the AC for approval prior to the commencement of the internal audit. The AC reviews the activities of the internal auditors on a regular basis, including overseeing and monitoring the implementation of the improvements required on risk management and internal control weakness identified.

In FY2016, there were no major and material weaknesses in internal controls highlighted by the Group's external auditors or the internal auditor for the attention of the AC.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

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.

All shareholders are treated fairly and equitably to facilitate their ownership rights. In line with the continuing disclosure obligations of the Company pursuant to the SGX-ST Listing Manual and the Companies Act, Chapter 50 of Singapore, the Board's policy is that all shareholders should be informed in a comprehensive manner and on a timely basis of all material developments that impact the Group.

Any notice of a general meeting to shareholders is issued fourteen (14) clear days before the scheduled date of such meeting.

A shareholder, who is not a relevant intermediary, can vote in person or appoint not more than two (2) proxies to attend and vote on his / her behalf at every general meeting ("GM") in the event that the shareholder is unable to attend the meeting in person. There is no provision in the Company's Constitution that limits the number of proxies for corporations which provide nominee or custodian services. In addition, shareholders who hold shares through custodian institutions may attend the GMs as observers.

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.

The company advocates high standards of corporate transparency and disclosure and believes in regular and timely communication with shareholders. In line with the Corporate Disclosure policy of the SGX-ST, the Group's policy is that all shareholders should be equally and timely informed of all major developments that impact the Group. A formal Investor Relations Policy has been devised in FY2016 to promote regular, effective and fair communications with its shareholders.

Disclosure of Information on a Timely Basis

Information is communicated to shareholders through regular dissemination of information such as announcements on half year and full year financial results, news releases, annual report on the SGXNet and the Company's website at www.cityneon.net. Public awareness on the Company's latest developments and businesses is also maintained through the Company's website. All information on the Company's new initiatives is first disseminated via SGXNET, followed by a news release, which will be made available on the website. The results briefing by the Management is jointly held for the investors and analysts. The Investor Relations Team is available to answer queries from shareholders, investors, analysts and the media as long as the information requested does not conflict with SGX-ST's rules of fair disclosure. At other times, the Management would meet with analysts and fund managers as appropriate.

Establishing and Maintaining Regular Dialogue with Shareholders

The Company has in place a dedicated Investor Relations Team which facilitates effective communication with the Company's shareholders, analysts, fund managers and the media, and supports the Group CEO and CFO in maintaining a close and active dialogue with institutional investors. The shareholders of the Company, investors, analysts and the financial community may submit their feedback and raise question(s) to the Investor Relations Team. Please refer to page 23 of the Annual Report for the contact information.

Dividend Policy

The Company does not have a formal dividend policy. As the Company has to conserve its cash for its business operations, expansion plans, and working capital, the Board is of the view that no final dividend is to be declared for FY2016.

CONDUCT OF SHAREHOLDERS MEETING

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

All shareholders of the Company receive the Annual Report and notice of AGM as well as circular and notice of Extraordinary General Meeting ("EGM"), if any. Notices of GMs are announced through SGXNET and published in the newspapers within the same period.

All registered shareholders are invited to participate and given the right to vote on resolutions at GMs. If any shareholder (who is not a relevant intermediary) is unable to attend, he / she is allowed to appoint up to two (2) proxies to attend and vote on his / her behalf at the meeting through proxy forms sent in advance. The Company is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

All resolutions put to every GM of the Company are voted separately unless the resolutions are interdependent and linked so as to form one significant proposal. The resolutions are voted by way of poll and the Company will consider electronic polling as and when necessary. Shareholders or proxies are briefed by the appointed polling agent on the poll voting procedures at the GM and appointed scrutineer will ensure that the poll process is properly carried out. The results of the poll indicated the number of votes cast for and against each resolution and the respective percentage will be announced to the SGX-ST after trading hours on the same day as the GM. This will also be made available on the Company's website.

As a public company listed on SGX-ST, all GMs of the Company are held in Singapore. All Directors of the Company, who are available, will participate in the GMs. The Board welcomes the views of the shareholders on matters concerning the Company and encourages shareholders' participation at the Company's GMs. The Directors including Chairman of the Audit, Remuneration and Nominating Committees and Senior Management will be available at the forthcoming GM to address any queries or concerns. The external auditors will also be present to assist the Directors in addressing any relevant queries from the shareholders. These GMs provide excellent opportunities for the Company to obtain shareholders' views on value creation.

The Company Secretary prepares minutes of shareholders' meetings, which incorporates comments or questions from shareholders and responses from the Board and the Management, where relevant. The minutes is available to any shareholder upon request.

Dealings in Securities

The Group has put in place a Code of Conduct on share dealings by Directors and Officers setting out the implication of insider trading and guidance on such dealings. The internal code is also in compliance with Rule 1207(19) of the SGX-ST Listing Manual.

Directors and Officers are reminded not to deal in the Company's securities whilst in possession of unpublished price sensitive information and during the periods commencing at least one (1) month before the announcement of the Company's half year or full year results. The notice on blackout / closed window period is circulated via email to all Directors, Officers and staff, and pasted on the Company's notice board.

Further, Directors and Officers are advised not to deal in the Company's securities dealings on a short-term consideration. Directors are required to notify the Company, their securities dealings within two (2) business days of such dealings and the Company shall disseminate the notifications received to the market via SGXNET within one (1) business day of receiving such notifications. In addition, Directors and Officers are cautioned to observe insider trading laws at all times.

Material Contracts

There are no material contracts involving the interests of the Group CEO, the Directors or controlling shareholders entered into by the Company and its Subsidiaries which are still subsisting as at the end of FY2016 or entered into during FY2016.

IPT and IPT Mandate

The Company has adopted an internal policy governing procedures for the identification, approval and monitoring of IPT. All IPTs are subject to review by the AC. If any member of AC has an interest in a transaction, he shall abstain from participating in the review and approval process in relation to that transaction. The AC reviews the shareholders' mandate at regular interval to ensure that the methods or procedures for determining the IPT prices have not changed since the last shareholders' approval and the IPTs are transacted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

At an EGM held on 12 August 2011, the Company has sought shareholders' approval to approve a shareholders' mandate for interested person transactions (the "IPT Mandate"). The same IPT Mandate will be expiring on 24 April 2017, being the date of the forthcoming AGM of the Company. The Company is proposing to seek shareholders' approval at the AGM to be held on 24 April 2017 to renew the IPT Mandate pursuant to Chapter 9 of the SGX-ST Listing Manual. IPTs approved by shareholders at the AGM and the IPT Mandate shall, unless revoked or varied by the Company in a GM, continue to be in force until the next AGM.

The following are details of the aggregate value of IPTs for FY2016 undertaken pursuant to the IPT Mandate under Rule 920 of the SGX-ST Listing Manual and approved by the AC.

Name of Interested Person	Aggregate value of all IPTs during the financial year under review (excluding transactions less than $100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual) $'000	Aggregate value of all IPTs conducted under Shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than $100,000) $'000
Star Media Group Berhad	–	133

Use of Proceeds

The Company released announcements on 5 May 2016, 11 May 2016, 17 May 2016, 18 May 2016, 31 August 2016 and 27 March 2017 relating to, inter alia, the placement of up to 20,000,000 new ordinary shares in the capital of the Company ("Placement").

The net proceeds of approximately $10,600,000, after deducting $400,000 estimated expenses pertaining to the Placement, has been fully utilised in the following manner:

S/N	Intended Purposes	Amount Allocated $'000 000	Amount Utilised $'000 000	Balance as at 27-Mar-17 $'000 000
1	New Immersive Attraction Sets Builds	5.00	5.00	–
2	Business Expansion into China	3.00	3.00	–
3	General Working Capital[1]	2.60	2.60	–
	Total	10.60	10.60	–

Note:
1. General Working Capital consists of:
   - Payroll and Related Expenses of Operations and Creative Team – $0.61 million
   - General and Administrative Overheads – $1.07 million
   - AVENGERS S.T.A.T.I.O.N. Upgrade and Construction – $0.92 million

The utilisation of net proceeds is consistent with the intended purposes and percentage allocation disclosed in the announcement dated 5 May 2016.

<table>
<tr><th>Guidelines</th><th>Questions</th><th>How has the Company complied?</th></tr>
<tr><td>General</td><td>(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.

(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?</td><td>No. Deviations are stated alongside each guideline of the Disclosure Guide.

It allows for partial transparency, is tailored to the Company's operations, and minimises the risk of staff poaching and dissatisfaction amongst staff.

Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code.</td></tr>
<tr><td colspan="3">Board Responsibility</td></tr>
<tr><td>Guideline 1.5</td><td>What are the types of transactions which require approval from the Board?</td><td>The Board continues to approve matters within the Singapore Companies Act, Chapter 50 and SGX-ST Listing Manual. Specifically, the Board has direct responsibility for decision making for the following:

- corporate strategies – joint ventures, mergers and acquisitions;

- appointment of Directors and key management staff of the Company;

- material acquisitions and disposal of assets exceeding $250,000;

- material IPT;

- major financing, acceptance of bank facilities, corporate financial restructuring plans and changes in the capital of the Company;

- proposal of dividends and other returns to shareholders; and

- approval of financial results announcements, annual reports and audited financial statements.

In addition, the Company has formulated an approval matrix setting forth matters reserved for the Board's decision, and Management was given clear directions on approval limits for operational matters, capital expenditure and financial authorisation.</td></tr>
</table>

Guidelines	Questions	How has the Company complied?
Guideline 2.6	(a) What is the Board's policy with regard to diversity in identifying Director nominees?	The Board requires a mix of expertise in areas such as accounting and finance, business management experience, industry and company knowledge, legal expertise, and strategic planning experience.
	(b) Please state whether the current composition of the Board provides diversity on each of the following - skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.	Yes, the current composition of the board has the critical skills and expertise needed in the strategic direction and planning of the business of the Group.
	(c) What steps has the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?	The NC reviews the Board Composition and its contributions at least annually, to determine the appropriateness in the mix of expertise, independence and professional judgement. The current nature and scope of Company's operations and requirements are also taken into consideration. The NC also places an emphasis on having Independent Directors on board, as their role is to ensure that strategies proposed by Management are constructively challenged, to review performance of Management in meeting agreed goals and objectives, and to monitor the reporting of performance.
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new Directors and (ii) reelecting incumbent Directors	(i) The NC reviews the composition of the Board and identifies the skill sets which will enhance the overall effectiveness of the Board. Initial assessment will be conducted to review the expertise, background and skill sets of a candidate prior to recommendation to the Board. On the recent appointment of a new Lead Independent Director, the Board sought for a candidate with extensive financial accounting management background, and who had listed-company experience. Mr Ng Fook Ai Victor stood out based on his in-depth knowledge about auditing, taxation, corporate advisory, and investment. (ii) The NC considers the Director's attendance and participation at Board and Board Committee Meetings before recommending whether to re-elect retiring Directors.
Guideline 1.6	(a) Are new Directors given formal training? If not, please explain why.	Yes, apart from the briefing, formal training are provided where required or requested. Most Directors appointed to the Board have expertise in their scope of duties.
	(b) What are the types of information and training provided to (i) new Directors and (ii) existing Directors to keep them up-to-date?	The Board is encouraged to attend seminars and training programs for betterment in the discharge of their duties as fiduciaries of the Company, and to be kept abreast in their fields of knowledge. Refer to details under Principle 4 – Board Orientation and Training in page 30.

Guidelines	Questions	How has the Company complied?
Guideline 4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its Directors? What are the reasons for this number?	No restriction has been set.
	(b) If a maximum number has not been determined, what are the reasons?	Having considered each Director's known commitments and his contributions, the NC is satisfied that the Directors have devoted sufficient time and attention to the Company's affairs, and have discharged their duties adequately.
	(c) What are the specific considerations in deciding on the capacity of Directors?	Existing commitments and past working experiences and / or interaction with the Director are the main considerations in determining their capacity.
Board Evaluation		
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year	The Board has in place a formal system of evaluating overall Board performance, and effectiveness of individual Director with respect to independence through feedback obtained from evaluation forms. The questionnaire was drawn up in accordance with guidelines provided in the Code. Key areas for improvement were highlighted during the meeting. Refer to details under Principle 5 – Board Evaluation Process and Performance Criteria in page 31.
	(b) Has the Board met its performance objectives?	Yes. The last Board of Directors' evaluation was conducted in February 2017 for FY2016, and the results were tabled by the Company Secretary to the NC for discussion. The NC was satisfied that the Board had been effective as a whole and that the Directors have contributed to the effective functioning of the Board. The NC was also satisfied that sufficient time and attention has been given by the Directors to the affairs of the Company, notwithstanding that some of the Directors have multiple board representations.
Independence of Directors		
Guideline 2.1	Does the Company comply with the guideline on the proportion of Independent Directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Yes. Refer to details under Principle 2 – Independent Element of the Board in page 26.

Guidelines	Questions	How has the Company complied?
Guideline 2.3	(a) Is there any Director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the Director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	No. Refer to details under Principle 2 – Independent Element of the Board in page 26. Not applicable.
Guideline 2.4	Has any Independent Director served on the Board for more than nine years from the date of his first appointment? If so, please identify the Director and set out the Board's reasons for considering him independent.	No. Refer to details under Principle 2 – Composition and Size of the Board in page 26.
Disclosure on Remuneration		
Guideline 9.2	Has the Company disclosed each Director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base / fixed salary, variable or performance related income / bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long term incentives? If not, what are the reasons for not disclosing so?	Yes, the Directors' and Group CEO's remuneration have been disclosed. The former was presented in dollar terms; the latter was presented in percentage terms and an overall summation in dollar terms. Refer to details under Principle 9 – Remuneration of Directors and Remuneration of Key Executives in page 35.
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of $250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base / fixed salary, variable or performance-related income / bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).	No. This to maintain good morale and a strong spirit of teamwork within the Group. Not applicable.
Guideline 9.4	Is there any employee who is an immediate family member of a Director or the CEO, and whose remuneration exceeds $50,000 during the year? If so, please identify the employee and specify the relationship with the relevant Director or the CEO.	No. Refer to details under Principle 9 – Immediate Family Members of Directors, Chairman or Group CEO in page 35.

Guidelines	Questions	How has the Company complied?
Guideline 9.6	(a) Please describe how the remuneration received by Executive Directors and KMP has been determined by the performance criteria.	The Group CEO has a service agreement with the Company that is renewable every three (3) years. Aside from the basic salary component and benefits in kind, the Group CEO's remuneration is linked to performance via incentive bonus based on profit after tax. Remuneration of key management personnel comprise a basic salary and variable bonus that is based on individual and Group performance for that year. The key performance indicators (KPIs) differ for each KMP, in accordance to the nature and scope of their work, and nature of the business segments.
	(b) What were the performance conditions used to determine their entitlement under the short term and long term incentive schemes?	Short term rewards are bonuses based on individual KPIs and overall Company performance such as profit before tax for the year.
	(c) Were all of these performance conditions met? If not, what were the reasons?	Yes. Bonus paid out for FY2016 was based on the performance of the individual and the Company.
Risk Management and Internal Controls		
Guideline 6.1	What types of information does the Company provide to Independent Directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	The types of information provided in the Board papers include, but not limited to: - agenda; - notice of meeting; - minutes of previous meeting; - financial results announcements; - reports from internal auditors, external auditors, and Management; - reports or papers relating to investment proposals. The information is provided at least four (4) times a year. Refer to details under Principle 6 – Complete, Adequate and Timely Information in pages 31 to 32 and Principle 10 – Accountability and Audit in page 36.
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	No, due to cost effectiveness and readily available pool of expertise of the outsourced Internal Audit Function. Refer to details under Principle 13 – Internal Audit in pages 42.

Guidelines	Questions	How has the Company complied?
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.	The Board, with the assistance of the outsourced Internal Audit Function, has identified risks in relation to the Company and its businesses through the CSA process. The CSA process covers risk assessment and risk monitoring. In addition, these self-assessments are validated by an independent reviewer, JF Virtus Pte Ltd. Decisions made by the Board in relation to material or major initiatives are based on the foreknowledge of such risks. There has also been no reported incident pertaining to whistle-blowing for FY2016. Refer to details under Principle 11 – Risk Management and Internal Controls in pages 36 to 39.
	(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	Yes. Refer to details under Principle 10 – Accountability and Audit in page 36.
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.	In FY2016, the cumulative fees for non-audit services provided by BDO LLP did not exceed 50% of audit fees. Refer to details under Principle 12 – External Auditors in page 41.
	(b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	Not applicable.

Guidelines	Questions	How has the Company complied?
Communication with Shareholders		
Guideline 15.4	(a) Does the company regularly communicate with the shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?	Yes, the Company communicates regularly with shareholders, analysts, and investors at least twice a year via half yearly and full year financial results briefing. Additional means of communication include ad-hoc meetings, teleconferences, and / or email. Refer to details under Principle 15 – Communication with Shareholders in page 43.
	(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	The Investor Relations Team performs this role. Refer to the Company's website at www.cityneon.net, or page 23 of the Annual Report for the contact information.
	(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	This includes, but not limited to: - Analyst briefings organised for analysts and investors; - Results briefing for analysts and investors after results announcement; and - Invites to opening ceremonies, and glimpse to project set ups and events, where applicable.
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	Cash is required for working capital requirements, business operations and business expansion encompassing the exploration of new intellectual property rights and / or of mergers and acquisitions. Hence, no final dividend is to be declared for FY2016.

FINANCIAL STATEMENTS CONTENTS

DIRECTORS' STATEMENT

The Directors of Cityneon Holdings Limited (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2016 and the statement of financial position of the Company as at 31 December 2016.

1. Opinion of the Directors

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon 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 2016, and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; 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 as follows:

Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan	(Appointed on 7 February 2017)
Tan Aik Ti, Ron	
Ng Fook Ai Victor	(Appointed on 10 June 2016)
Datuk Seri Wong Chun Wai	
Dato' Lee Yew Chor @ Lee Yew Meng	(Appointed on 25 May 2016)
Tang Nai Soon	
Datuk Roger Tan Kor Mee	
Ragesh Rajendran (Alternate Director to Datuk Seri Wong Chun Wai)	(Appointed on 15 March 2017)

3. Arrangements to enable Directors to acquire shares or debentures

Except as disclosed under the section "Share options" of the Directors' statement, neither at the end of, nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or of any other corporate body.

4. Directors' interest in shares or debentures

According to the register of Directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), the following Directors who held office at the end of the financial year were interested in shares of the Company and its related corporations as follows:

	Shareholdings registered in the name of Director		Shareholdings in which Director is deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
Name of Directors and companies in which interests are held	**Number of ordinary shares**			
The Company				
Cityneon Holdings Limited				
Tan Aik Ti, Ron	–	–	45,000,000	40,000,000
Ultimate holding company	**Number of ordinary shares of RM1.00 each**			
Star Media Group Berhad				
Datuk Seri Wong Chun Wai	20,000	20,000	–	–

By virtue of Section 7 of the Act, Tan Aik Ti, Ron is deemed to have interests in all related corporations of the Company.

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the register of Directors' shareholdings, the Directors' interests as at 21 January 2017 in the shares of the Company has not changed from those disclosed as at 31 December 2016.

Except as disclosed above and under the "Share options" section of the Directors' statement, no Director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

5. Share options

At an Extraordinary General Meeting held on 15 September 2005, shareholders approved the Cityneon Employee Share Option Scheme (the "Scheme").

The Scheme is administered by the Company's Remuneration Committee, comprising three Directors, Tang Nai Soon, Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan and Datuk Roger Tan Kor Mee.

Other information regarding the Scheme is set out below:

- The exercise price of the options can be set at a discount to the market price not exceeding 20% of the market price in respect of options grant at the time of grant;
- The market price at the time of grant is determined based on the average of the closing prices of the ordinary shares of the Company on the Singapore Exchange Securities Trading Limited for the five market days immediately preceding the date of grant;
- The options can be exercised at any time after 2 years but before 7 years from the date of grant (except for grant to non-executive Directors including independent Directors, where the expiry date of each option is 5 years from the date of grant); and
- All options are settled by physical delivery of shares.

The number of ordinary shares of the Company available under the Scheme shall not exceed 15% of the issued capital of the Company.

5. **Share options** (Continued)

At the end of the financial year, details of the options granted under the Scheme on the unissued ordinary shares of the Company are as follows:

	Date of grant of options	Exercise price $	Options outstanding at the beginning of the financial year	Options granted during the financial year	Exercised during the financial year	Options not accepted/ lapsed/ forfeited/ expired	Options outstanding at the end of the financial year	Exercise period
Former Directors								
Ko Chee Wah	20.8.2007	0.46	500,000	–	(500,000)	–	–	27.4.2011 to 26.4.2016
Ko Chee Wah	3.11.2008	0.48	472,700	–	(472,700)	–	–	27.4.2011 to 26.4.2016
Ko Chee Wah	10.5.2010	0.312	500,000	–	(500,000)	–	–	10.5.2012 to 9.5.2017
Lim Poh Hock	20.8.2007	0.46	500,000	–	(500,000)	–	–	27.4.2011 to 26.4.2016
Lim Poh Hock	3.11.2008	0.48	472,700	–	(472,700)	–	–	27.4.2011 to 26.4.2016
Lim Poh Hock	10.5.2010	0.312	500,000	–	(500,000)	–	–	10.5.2012 to 9.5.2017
			2,945,400	–	(2,945,400)	–	–	
Employees								
Lee Song Liat	10.5.2010	0.312	260,000	–	(260,000)	–	–	10.5.2012 to 9.5.2017
Others	10.5.2010	0.312	669,000	–	(632,000)	(8,000)	29,000	10.5.2012 to 9.5.2017
			929,000	–	(892,000)	(8,000)	29,000	
			3,874,400	–	(3,837,400)	(8,000)	29,000	

5. Share options (Continued)

Except as disclosed above, there were no unissued shares of the Company or its subsidiary corporations under options granted by the Company or its subsidiary corporations as at the end of the financial year.

In 2007 and 2008, Ko Chee Wah and Lim Poh Hock were considered the controlling shareholders of the Company as they each hold directly or indirectly not less than 15% of the total number of issued shares in the Company. In 2009, Ko Chee Wah and Lim Poh Hock each disposed 2,495,135 number of Cityneon Shares. As a result of the disposal, Ko Chee Wah and Lim Poh Hock were not considered as the controlling shareholders of the Company.

Since the commencement of the Scheme, other than Ko Chee Wah, Lim Poh Hock and Lee Song Liat as disclosed above, no options have been granted to the Directors and the controlling shareholders of the Company or their associates and no participant under the Scheme has been granted 5% or more of the total options available under the Scheme.

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

6. Audit Committee

The Audit Committee of the Company, consisting all non-executive Directors, comprises the following members:

Ng Fook Ai Victor (Chairman)	(appointed on 13 June 2016)
Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan	(appointed on 7 February 2017)
Dato' Lee Yeow Chor @ Lee Yew Meng	(appointed on 13 June 2016)

The Audit Committee performs the functions set out in Section 201B (5) of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee has held three meetings since the last Directors' statement. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- The audit plans of the internal and external auditors and the results of the auditors' examination and evaluation of the Group's systems of internal accounting controls;
- Assistance provided by the management to the internal and external auditors;
- The statement of financial position of the Company and the consolidated financial statements of the Group and external auditor's report on those financial statements before their submission to the Directors of the Company;
- The half-yearly and full-year announcements as well as the related press releases on the results and financial position of the Company and of the Group;
- Interested person transactions (as defined in Chapter 9 of the SGX Listing Manual);
- The Group's financial and operating results and accounting policies; and
- The re-appointment of the external auditor of the Company.

6. Audit Committee (Continued)

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any Director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Directors that the auditors, BDO LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

7. Independent auditor

The independent auditor, BDO LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Tan Aik Ti, Ron Director	**Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan** Director

16 March 2017

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cityneon Holdings Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 64 to 134 which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("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 period. 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.

KEY AUDIT MATTER	AUDIT RESPONSE
1 Recognition of revenue	
The Group has two major revenue streams, being revenue from contracts to provide services and licencing fee from exhibition agreements, which account for 82% and 10% of the Group's total revenue respectively. When the Group enters into long-term contracts with customers to provide services, revenue is recognised based on the percentage-of-completion method. We focused our audit on these types of contracts due to the high level of management estimation involved, in particular, estimating the total contract revenue and contract costs and determining the stage of completion. The Group's licencing fee, derived from the intellectual property rights operating segment, was due to contributions from the use of the Group's acquired intellectual property rights to hold exhibitions in various countries for a specific duration of time. The recognition of licencing fee is an area of complexity and requires judgement as the contractual terms vary for each exhibition agreement. Management has performed detailed assessment, including the terms and conditions, the remaining obligations to perform and other pertinent factors included in each of the exhibition agreements signed between the Group and exhibition promoters. Revenue recognition was therefore one of the most significant matters in the audit of the current year financial statements. Refer to notes 2.14, 3.1, 3.2 and 25 of the accompanying financial statements.	Our audit procedures included, amongst others: ● For revenue from contracts to provide services, we assessed the reasonableness of management's estimated total contract revenue, estimated total contract costs and the stage of completion at the end of the financial year by: ○ Agreeing the initial contract revenue to the letter of award of the contract, and checking variation orders to customers' acceptance and approval. ○ Checking the actual costs incurred to date and estimated costs to complete. ○ Agreeing the revenue computed to certifications by architects acknowledged by customers or certifications by external quantity surveyors. ● For licencing fee, we challenged management's timing of revenue recognition by considering the substance of the exhibition agreements and assessed the reasonableness of management's interpretation of these contractual terms. We also evaluated significant contract terms for the conditions that underpin revenue recognition, checked that management could demonstrate that persuasive evidence exists at the point of revenue recognition and where applicable, obtained correspondences from the lawyer of the Group to corroborate key judgement applied by management.

KEY AUDIT MATTER	AUDIT RESPONSE
2 Impairment assessment of goodwill	
The Group's goodwill balance as at 31 December 2016 was $2.9 million. Management is required to undertake an impairment review at least annually by comparing the carrying amount of the cash generating units for which this goodwill belongs to against the recoverable amounts. Management has estimated the recoverable amounts using the value-in-use method, which requires management to estimate the present value of the future cash flows from these cash generating units to estimate the recoverable amounts and conclude that no impairment is required for the current financial year. The determination of the recoverable amounts of the cash generating units requires the application of key assumptions and significant judgement in forecasting future revenue and margins and therefore this matter was considered one of the most significant in the audit of the current year financial statements. Refer to notes 3.2 and 5 of the accompanying financial statements.	Our audit procedures included, amongst others: ● We challenged management's key assumptions used in the impairment testing for goodwill, including the revenue, operating margin and discount rate. ● We performed sensitivity analysis on two main areas, being the revenue and discount rate assumptions. ● We tested the integrity and mathematical accuracy of the value-in-use calculations. ● We considered the adequacy of the Group's disclosure in respect of its goodwill impairment testing and whether the disclosures about the sensitivity of the outcome of the impairment assessments to reasonably possible changes in key assumptions properly reflected the risks inherent in such assumptions.

KEY AUDIT MATTER	AUDIT RESPONSE
3 Recoverability of trade receivables	
The Group operates in a number of geographical locations with individual customers from the Group's five business units. Some customers in certain geographical locations have longer sales days outstanding, increasing the Group's inherent exposure to credit risk. The Group's policy for impairment of trade receivables is on a case-by-case basis and specific impairment allowances are made when an impairment event has occurred. As at 31 December 2016, total third party trade receivables, net of allowance for doubtful debts, amounted to $18.1 million, of which balances past due but not impaired amounted to approximately $16.3 million. We focused on this area as a key audit matter due to the significant trade receivables that are past due their respective credit period and the significant judgement involved in management's assessment on the recoverability of these outstanding trade receivables. Refer to notes 3.2, 12 and 37.3 of the accompanying 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. Our audit procedures included, amongst others: ● We enquired with management on the reasons for the delay in payment, tested and reviewed the trade receivables aging report used by management in the assessment of impairment of trade receivables and assessed the recoverability of a sample of outstanding trade receivables by checking to receipts subsequent to year end. ● We challenged management's assessment of the recoverability of overdue amounts by noting the historical payment patterns, the ongoing business relationship, evaluating customer correspondences, or where relevant, repayment schedules as agreed with the customers.

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. Prior to the date of this auditor's report, we obtained all the information included in the annual report other than the Analysis of Shareholdings, Substantial Shareholders and Notice of Annual General Meeting, which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Analysis of Shareholdings, Substantial Shareholders and notice of Annual General Meeting, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and take appropriate actions in accordance with SSAs.

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 Director's 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:

- 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 control.

- Obtain an understanding of internal control 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 control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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.

- 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.

- 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 control 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 period 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 subsidiary corporations 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 Poh Chin Beng.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
16 March 2017

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

		Group		Company	
	Note	2016	2015	2016	2015
		$	$	$	$
ASSETS					
Non-current					
Property, plant and equipment	4	43,437,102	16,032,213	–	–
Goodwill	5	2,934,535	2,934,535	–	–
Other intangible assets	6	6,954,859	6,835,355	–	–
Subsidiaries	7	–	–	34,512,554	34,885,057
Associate	8	259,946	375,784	–	–
Prepayments	9	495,989	968,838	–	–
		54,082,431	27,146,725	34,512,554	34,885,057
Current					
Inventories	10	731,339	190,549	–	–
Amounts due from contract customers	11	12,715,033	6,906,315	–	–
Trade and other receivables	12	24,028,471	26,007,681	176,559	99,485
Deposits		729,157	601,119	4,530	4,530
Prepayments	9	3,957,952	2,386,622	3,746	900
Amounts owing by subsidiaries	13	–	–	29,301,611	16,003,235
Amounts owing by related parties	14	–	55,043	–	–
Cash and cash equivalents	15	23,779,019	24,268,827	2,179,985	777,460
		65,940,971	60,416,156	31,666,431	16,885,610
TOTAL ASSETS		120,023,402	87,562,881	66,178,985	51,770,667
EQUITY AND LIABILITIES					
EQUITY					
Share capital	16	50,376,302	38,006,064	50,376,302	38,006,064
Reserves	17	18,920,237	11,560,530	1,004,632	552,327
Equity attributable to owners of the parent		69,296,539	49,566,594	51,380,934	38,558,391
Non-controlling interests		312,590	451,532	–	–
TOTAL EQUITY		69,609,129	50,018,126	51,380,934	38,558,391

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

	Note	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
LIABILITIES					
Non-current					
Finance lease obligations	19	37,388	167,908	–	–
Deferred tax liabilities	20	809,168	936,516	–	–
		846,556	1,104,424	–	–
Current					
Amounts due to contract customers	11	1,280,842	849,329	–	–
Finance lease obligations	19	24,225	75,405	–	–
Bank borrowings	21	24,717,329	8,196,140	5,490,000	4,500,000
Loan from ultimate holding company	22	3,500,000	3,500,000	3,500,000	3,500,000
Amounts owing to ultimate holding company	23	2,135	5,802	–	–
Amounts owing to subsidiaries	13	–	–	5,381,717	2,737,181
Amounts owing to related parties	14	–	21,961	–	–
Trade and other payables	24	19,606,636	23,778,249	426,334	2,475,095
Income tax payables		436,550	13,445	–	–
		49,567,717	36,440,331	14,798,051	13,212,276
TOTAL LIABILITIES		50,414,273	37,544,755	14,798,051	13,212,276
TOTAL EQUITY AND LIABILITIES		120,023,402	87,562,881	66,178,985	51,770,667

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

	Note	Group 2016 $	Group 2015 $
Revenue	25	96,751,611	96,488,285
Cost of sales		(63,430,009)	(73,188,364)
Gross profit		33,321,602	23,299,921
Other items of income			
Other operating income	26	1,728,411	646,203
Interest income		62,620	43,141
Other items of expenses			
Marketing and distribution costs		(2,103,058)	(1,158,537)
Administrative and other operating expenses		(24,923,125)	(21,641,002)
Finance costs	27	(641,290)	(411,277)
Share of results of associate, net of tax		(115,838)	15,784
Profit before income tax	28	7,329,322	794,233
Income tax (expense)/credit	29	(719,760)	38,880
Profit for the year		6,609,562	833,113
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations, net of tax amounting to $Nil (2015: $Nil)		914,513	1,064,810
Realisation of foreign currency translation reserve upon striking off a subsidiary		22,260	–
Total comprehensive income for the year, net of tax		7,546,335	1,897,923
Profit attributable to:			
Owners of the parent		6,680,888	871,273
Non-controlling interests		(71,326)	(38,160)
		6,609,562	833,113
Total comprehensive income attributable to:			
Owners of the parent		7,617,407	1,936,083
Non-controlling interests		(71,072)	(38,160)
		7,546,335	1,897,923
Earnings per share (cents)			
Basic	30	2.83	0.70
Diluted	30	2.83	0.70

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

	Note	Total equity $	Equity attributable to owners of the parent $	Share capital $	Retained earnings $	Statutory reserve $	Premium paid on acquisition of non-controlling interests $	Share option reserve $	Currency translation reserve $	Non-controlling interests $
Group										
Balance at 1 January 2016		50,018,126	49,566,594	38,006,064	12,741,636	148,608	(10,000)	262,100	(1,581,814)	451,532
Profit for the year		6,609,562	6,680,888	–	6,680,888	–	–	–	–	(71,326)
Other comprehensive income:										
Exchange differences on translating foreign operations, net of tax		914,513	914,259	–	–	–	–	–	914,259	254
Realisation of foreign currency translation reserve upon striking off a subsidiary		22,260	22,260	–	–	–	–	–	22,260	–
Total comprehensive income for the year		7,546,335	7,617,407	–	6,680,888	–	–	–	936,519	(71,072)
Issue of new shares	16	10,608,442	10,608,442	10,608,442	–	–	–	–	–	–
Share options exercised	16	1,504,096	1,504,096	1,761,796	–	–	–	(257,700)	–	–
Transfer of share option reserve		–	–	–	952	–	–	(952)	–	–
Total contributions by and distributions to owners		12,112,538	12,112,538	12,370,238	952	–	–	(258,652)	–	–
Dividends paid to non-controlling interests		(70,000)	–	–	–	–	–	–	–	(70,000)
Capital contribution by non-controlling interests		2,130	–	–	–	–	–	–	–	2,130
Total transactions with non-controlling shareholders		(67,870)	–	–	–	–	–	–	–	(67,870)
Balance at 31 December 2016		69,609,129	69,296,539	50,376,302	19,423,476	148,608	(10,000)	3,448	(645,295)	312,590
Group										
Balance at 1 January 2015		25,601,721	25,112,029	14,602,328	12,451,718	148,608	(10,000)	565,999	(2,646,624)	489,692
Profit for the year		833,113	871,273	–	871,273	–	–	–	–	(38,160)
Other comprehensive income:										
Exchange differences on translating foreign operations, net of tax		1,064,810	1,064,810	–	–	–	–	–	1,064,810	–
Total comprehensive income for the year		1,897,923	1,936,083	–	871,273	–	–	–	1,064,810	(38,160)
Issue of new shares	16	23,403,736	23,403,736	23,403,736	–	–	–	–	–	–
Transfer of share option reserve		–	–	–	303,899	–	–	(303,899)	–	–
Dividends	32	(885,254)	(885,254)	–	(885,254)	–	–	–	–	–
Total contributions by and distributions to owners		22,518,482	22,518,482	23,403,736	(581,355)	–	–	(303,899)	–	–
Balance at 31 December 2015		50,018,126	49,566,594	38,006,064	12,741,636	148,608	(10,000)	262,100	(1,581,814)	451,532

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2016

	Group	
	2016	2015
	$	$
Operating activities		
Profit before income tax	7,329,322	794,233
Adjustments for:		
Depreciation of property, plant and equipment	3,555,156	1,282,122
Property, plant and equipment written off	5,616	53,446
Amortisation expense	886,881	189,871
Gain on disposal of property, plant and equipment	(11,102)	(20,673)
Interest income	(62,620)	(43,141)
Interest expense	641,290	411,277
Allowance for impairment loss on trade receivables	243,973	80,027
Share of results of associate, net of tax	115,838	(15,784)
Operating cash flows before working capital changes	12,704,354	2,731,378
Inventories	(540,790)	128,035
Amounts due (to)/ from contract customers, net	(5,556,554)	473,288
Trade and other receivables, prepayments and deposits	695,395	(6,454,031)
Trade and other payables	(2,303,755)	6,647,708
Net cash generated from operations	4,998,650	3,526,378
Interest paid	(641,290)	(411,277)
Income taxes paid	(424,784)	(224,742)
Net cash generated from operating activities	3,932,576	2,890,359
Investing activities		
Purchase of property, plant and equipment	(29,612,167)	(4,570,289)
Proceeds from disposal of property, plant and equipment	213,734	27,905
Purchase of intangible assets	(969,800)	–
Acquisition of subsidiary, net of cash acquired	–	(10,000,000)
Payment of contingent consideration	(2,016,403)	–
Investment in an associate	–	(360,000)
Increase in long-term fixed deposits	(22,452)	(1,117,890)
Interest received	62,620	43,141
Net cash used in investing activities	(32,344,468)	(15,977,133)
Financing activities		
Proceeds on issuance of share	11,000,000	15,712,811
Share issue expenses	(391,558)	(184,075)
Proceeds from exercise of share option	1,504,096	–
Repayments of finance lease obligations	(180,912)	(64,153)
Repayments of bank borrowings	(17,317,057)	(16,573,292)
Proceeds from bank borrowings	33,163,279	13,501,967
Dividends paid to owners of the parent	–	(885,254)
Dividends paid to non-controlling interests	(70,000)	–
Capital contribution by non-controlling interests of subsidiary	2,130	–
Net cash generated from financing activities	27,709,978	11,508,004
Net change in cash and cash equivalents	(701,914)	(1,578,770)
Exchange differences on re-translation of cash and cash equivalents	161,816	848,444
Cash and cash equivalents at beginning of year	23,150,937	23,881,263
Cash and cash equivalents at end of year (Note 15)	22,610,839	23,150,937

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

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

Cityneon Holdings Limited (the "Company") is a public limited company and domiciled in Singapore. The principal place of business and registered office is at 84 Genting Lane #06-01, Cityneon Design Centre, Singapore 349584. The Company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

The Company's immediate holding company is Laviani Pte. Ltd., a company incorporated in Singapore. The Company's ultimate holding company is Star Media Group Berhad, a company incorporated in Malaysia and listed on the Bursa Malaysia Securities Berhad.

The statement of financial position of Cityneon Holdings Limited (the "Company") and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Directors on the date of the Directors' statement.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore Dollar ("$") which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

The preparation of financial statements in compliance with FRS requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have the most significant effect on the financial statements are disclosed in Note 3 to the financial statements.

In the current financial year, the Group has adopted all the new and revised FRS that are relevant to its operations and effective for the current financial year. The adoption of these new/revised FRS did not result in changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior years.

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS issued but not yet effective

At the date of authorisation of these financial statements, the following FRS that are relevant to the Group were issued but not yet effective and have not been adopted early in these financial statements:

			Effective date (annual periods beginning on or after)
FRS 7 (Amendments)	:	Disclosure Initiative	1 January 2017
FRS 12 (Amendments)	:	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 102 (Amendments)	:	Classification and Measurement of Share-based Payment Transactions	1 January 2018
FRS 109	:	Financial Instruments	1 January 2018
FRS 110 and FRS 28 (Amendments)	:	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
FRS 115	:	Revenue from Contracts with Customers	1 January 2018
FRS 115 (Amendments)	:	Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116	:	Leases	1 January 2019

Consequential amendments were also made to various standards as a result of these new/revised standards.

The management anticipates that the adoption of the above FRS in future periods, will not have a material impact on the financial statements of the Group and the Company in the period of initial adoption, except as disclosed below.

FRS 7 (Amendments) Disclosure Initiative

The amendments require additional disclosures to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group will adopt these amendments in the financial year beginning on 1 January 2017 and will include the additional disclosures in its financial statements for that financial year.

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS issued but not yet effective (Continued)

FRS 109 Financial Instruments

FRS 109 supersedes FRS 39 Financial Instruments: Recognition and Measurement with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement

Under FRS 109, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group can elect to recognise the gains and losses in other comprehensive income. Debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets can also be measured at fair value through other comprehensive income.

FRS 109 carries forward the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, FRS 109 retains the requirements in FRS 39 for de-recognition of financial assets and financial liabilities.

The Group has commenced its preliminary assessment of the classification and measurement of its financial assets, and does not expect any significant changes to the classification and measurement of its financial assets and liabilities currently measured at amortised cost and fair value through profit or loss upon adoption of the standard.

Impairment

FRS 109 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in FRS 39. This determines the recognition of impairment loss allowances as well as interest revenue. For financial assets at amortised cost or debt instruments at fair value through other comprehensive income, the Group will recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition under the three-stage model or from initial recognition if the simplified model is applied.

The new impairment requirements are expected to result in changes to and likely increases in impairment loss allowances on trade receivables and other receivables, due to earlier recognition of credit losses. The Group expects to adopt the simplified model for its trade receivables and will record an allowance for lifetime expected losses from initial recognition. For other receivables due from third parties and related parties, the Group will initially provide for 12 months expected losses under the three-stage model. The Group is still in the process of determining how it will estimate expected credit losses and the sources of forward-looking data.

Transition

The Group plans to adopt FRS 109 in the financial year beginning on 1 January 2018 with retrospective effect in accordance with the transitional provisions and will include the required disclosures in its financial statements for that financial year.

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS issued but not yet effective (Continued)

FRS 115 Revenue from Contracts with Customers

FRS 115 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under FRS. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FRS 115 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group is in the process of making a detailed assessment of FRS 115 implementation. Key issues for the Group include identifying performance obligations, accounting for contract modifications, and variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract assets and liabilities and addressing disclosure requirements.

The Group is currently assessing whether revenue from individual contracts can continue to be recognised over time.

The Group plans to adopt the standard in the financial year beginning on 1 January 2018 with full retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

FRS 116 Leases

FRS 116 supersedes FRS 17 Leases and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. FRS 116 requires lessees to capitalise all leases on the statements of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under FRS 116. FRS 116 also requires enhanced disclosures by both lessees and lessors.

On initial adoption of FRS 116, there may be a potentially significant impact on the accounting treatment for leases, which the Group as lessee currently accounts for as operating leases. On adoption of FRS 116, the Group will be required to capitalise its rented office premise, exhibitions venue, staff accommodation, office equipment and other operating facilities on the statements of financial position by recognising them as "right-of-use" assets and their corresponding lease liabilities for the present value of future lease payments unless they qualify for short-term lease or low-value asset exemptions. The Group plans to adopt the standard in the financial year beginning on 1 January 2019 using the modified retrospective method in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

<u>Adoption of IFRS-identical financial reporting standards</u>

Singapore-incorporated companies listed on SGX-ST are required to apply a new financial reporting framework identical to IFRS in 2018. The Group will adopt the new framework on 1 January 2018 and will apply the equivalent of IFRS 1 First-time Adoption of International Financial Reporting Standards to the transition. This will involve restating the comparatives for the financial year ended 31 December 2017 and the opening statements of financial position as at 1 January 2017 in accordance with the new framework. The Group is in the process of assessing the impact of transition, including the impact from the adoption of IFRS 9 and IFRS 15 which is expected to be similar to the impact of FRS 109 and FRS 115 disclosed above, as well as other transitional adjustments that maybe required or elected under IFRS 1.

2. Significant accounting policies (Continued)

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which control is obtained by the Group up to the effective date on which control is lost, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses may be an impairment indicator of the asset concerned.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

Non-controlling interests in subsidiaries relate to the equity in subsidiaries which is not attributable directly or indirectly to the owners of the parent. They are shown separately in the consolidated statements of comprehensive income, financial position and changes in equity.

Non-controlling interests in the acquiree that are a present ownership interest and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value, of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

In the separate financial statements of the Company, investments in subsidiaries and associate are carried at cost, less any impairment loss that has been recognised in profit or loss.

2. Significant accounting policies (Continued)

2.3 Business combinations

Business combinations from 1 January 2010

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration also includes the fair value of any contingent consideration. Contingent consideration classified as a financial liability is remeasured subsequently to fair value through profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities and contingent liabilities assumed.

If, after reassessment, the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

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 (formerly known as minority 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.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was probable and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

2.4 Intangible assets

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of any previously held equity interest in the acquiree over the acquisition date fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill on acquisition of subsidiaries prior to 1 January 2010 represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill on subsidiaries is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

2. Significant accounting policies (Continued)

2.4 Intangible assets (Continued)

Goodwill (Continued)

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill if the assets and their fair values can be measured reliably. The cost of such intangible assets is their fair value as at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Other intangible assets - Licences

Licences are stated at cost less accumulated amortisation and any accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 6 to 9.25 years, which is the shorter of their estimated useful lives and periods of contractual rights.

2.5 Property, plant and equipment

Property, plant and equipment are initially recognised at cost. The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure on an item of property, plant and equipment is added to the carrying amount of the item if it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other costs of servicing are recognised in profit or loss when incurred.

Property, plant and equipment are subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets, other than construction-in-progress, over their estimated useful lives, using the straight-line method, on the following bases:

Office equipment, furniture and fittings	3 to 10 years
Motor vehicles	5 years
Machinery	5 years
Exhibitions services assets	5 to 10 years
Licenced interactive exhibition assets	3 to 10 years

2. Significant accounting policies (Continued)

2.5 Property, plant and equipment (Continued)

Construction-in-progress ("CIP") represents property, plant and equipment under construction and is stated at cost less impairment and is not depreciated. Cost comprises all direct costs and relevant professional fees. CIP is reclassified to the appropriate category of property, plant and equipment and depreciation commences when the construction work is completed and the asset is ready for use. No depreciation is charged on CIP as they are not ready for their intended use as at the end of the financial year.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

2.6 Impairment of non-financial assets excluding goodwill

At the end of each financial year, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2. Significant accounting policies (Continued)

2.7 Associate

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

Associates are initially recognised in the consolidated statement of financial position at cost, and subsequently accounted for using the equity method less any impairment losses. Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is included in the carrying amount of the investment in associate.

Under the equity method, the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of comprehensive income. Post-acquisition changes in the Group's share of net assets of associates and distributions received are adjusted against the carrying amount of the investments.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment) are not recognised, unless the Group has incurred legal or constructive obligations to make good those losses or made payments on behalf of the associate.

Where the Group transacts with an associate, unrealised profits are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated, but only to the extent that there is no impairment.

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the "first-in-first-out" method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.9 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the financial year (percentage-of-completion method), except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

At the end of the financial year, the aggregated costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented on the face of the consolidated statements of financial position as "Amounts due from contract customers". Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as "Amounts due to contract customers".

Progress billings not yet paid by customers and retentions are included within "Trade and other receivables". Advances and deposits received are included within "Trade and other payables".

2. Significant accounting policies (Continued)

2.10 Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments.

Financial assets

The Group classifies its financial assets as loans and receivables.

All financial assets are initially recognised at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially recognised at fair value.

Loans and receivables

Non-derivative financial assets which have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, using the effective interest method, less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Group's loans and receivables in the statements of financial position comprise trade and other receivables (excluding advances to suppliers, goods and services tax ("GST") and value-added tax ("VAT") receivables and income tax recoverable), deposits, amounts owing by subsidiaries, amounts owing by related parties, amounts due from contract customers and cash and cash equivalents.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2. Significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition, any difference between the carrying amount and the sum of proceeds received and amounts previously recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Group classified ordinary shares as equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss (“FVTPL”) or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL if the financial liability is either held for trading, including derivatives not designated and effective as a hedging instrument; or it is designated as such upon initial recognition. The Group and the Company has designated contingent consideration arising from business combination as financial liabilities at FVTPL upon initial recognition.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in the consolidated statement of comprehensive income does not include any interest charged on these financial liabilities.

Other financial liabilities

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Borrowings

Interest-bearing bank borrowings and loan from ultimate holding company are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group’s accounting policy for borrowing costs.

2. Significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial guarantee contracts

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment term.

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise cash on hand, demand deposits and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, cash at banks and fixed deposits net of long term fixed deposits.

2.12 Leases

When the Group is the lessee

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating leases

Rentals payable under operating leases (net of any incentives received from lessors) are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

2. Significant accounting policies (Continued)

2.12 Leases (Continued)

When the Group is the lessor

Operating leases

Rental income from operating leases (net of any incentives given to lessees) is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which user benefit derived from the leased asset is diminished. Initial direct costs 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.

2.13 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The increase in the provision due to the passage of time is recognised in the consolidated statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.14 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is presented net of estimated customer returns, rebates, other similar allowances and sales related taxes.

Contracts revenue

Revenue from a contract to provide services is recognised as follows when the associated cost can be measured reliably and it is probable that the consideration will be received.

- Revenue on long-term projects is recognised by reference to the percentage-of-completion method, measured by reference to surveys of work performed or by reference to costs incurred to date against the total estimated costs for each contract.

- Revenue on short-term projects is recognised on the completion method.

Sale of goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods and retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2. Significant accounting policies (Continued)

2.14 Revenue recognition (Continued)

Development fee

Development fee is recognised upon services performed in accordance with the terms and conditions of the agreement, when the amount of revenue can be measured reliably and when significant risks and rewards of the transactions have been transferred to the customer, and it is probable that the economic benefits associated with the transaction will flow to the entity.

Licencing fee

The Group acquires intellectual property rights and grant such rights to third party promoters. Revenue from such licencing arrangements is recognised when an assignment is granted to the promoter which permits the promoter to begin its immediate use, to exploit without restriction and when the Group has no remaining obligations to perform.

Rendering of services

- Production fee

  Production fee from the production of exhibit is recognised in the period in which the relevant services are rendered in accordance to the contractual terms. Production fee charged to customer includes the installation and removal of the exhibit at the exhibition venue.

- Admissions fee

  Admissions fee from the exhibition held is recognised upon the sales of admission ticket for the exhibition venue.

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalty arrangements that are based on sales and other in accordance measures are recognised by reference to the underlying arrangement.

Rental income

The Group's policy for recognition of revenue from operating leases is described in Note 2.12.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

2.15 Employee benefits

Retirement benefit costs

Payments to defined contribution plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution plan.

2. Significant accounting policies (Continued)

2.15 Employee benefits (Continued)

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated undiscounted liability for annual leave expected to be settled wholly within 12 months from the reporting date as a result of services rendered by employees up to the end of the financial year.

Share-based compensation

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss with a corresponding increase in the share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest.

The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. The share option reserve is credited to retained earnings upon expiry of the share options. When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in share option reserve is transferred to share capital if new shares are issued, or to treasury shares account if the options are satisfied by the reissuance of treasury shares.

2.16 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statements of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment.

2.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred using the effective interest method.

2.18 Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit reported as profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is recognised at the amount expected to be paid or recovered from the tax authorities and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

Current income taxes are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

2. Significant accounting policies (Continued)

2.18 Taxes (Continued)

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profits will be available against which the temporary differences can be utilised.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax that is incurred on purchase of assets or services is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

2. Significant accounting policies (Continued)

2.19 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which dividends are approved by shareholders.

2.20 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore Dollar using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the currency translation reserve.

On disposal of a foreign operation, the accumulated currency translation reserve relating to that operation is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.21 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.

2. Significant accounting policies (Continued)

2.21 Contingencies (Continued)

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.

Contingencies are not recognised on the statements of financial position, except for contingent liabilities assumed in a business combination that are present obligations and for which the fair value can be reliably determined.

2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive Directors and the chief executive officer who make strategic decisions.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgements in applying the entity's accounting policies

The following is the critical judgement, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies and which have a significant effect on the amounts recognised in the financial statements.

Revenue recognition

The Group has recognised licencing fee amounting to $9,565,987 (2015: $Nil) from exhibition agreements signed between the Group and the exhibition promoters, in relation the Group's intellectual property rights segment. As the terms and conditions for each exhibition agreement vary, a considerable amount of judgement is required in determining the point of revenue recognition.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of investments in subsidiaries

The Group and the Company follow the guidance of FRS 36 in determining when an investment in subsidiary is impaired. This determination requires significant judgement. The management's assessment is based on the estimation of the value-in-use of the cash-generating units ("CGU") by forecasting the expected future cash flows for a period of up to 5 years including terminal value, where appropriate, using a suitable discount rate in order to calculate the net present value of those cash flows. The carrying amount of the Company's investments in subsidiaries as at 31 December 2016 was $34,512,554 (2015: $34,885,057).

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

Allowance for impairment of trade and other receivables

The provision policy for allowance for impairment loss of trade and other receivables of the Group is based on the ageing analysis and management's ongoing evaluation of the recoverability of the outstanding receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the assessment of the creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of the Group's and of the Company's trade and other receivables including the amounts owing by subsidiaries and related parties as at 31 December 2016 were $24,028,471 (2015: $26,062,724) and $29,478,170 (2015: $16,102,720) respectively.

Construction contracts

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of the financial year, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference as follows:

- the proportion of contract costs incurred for work performed to date against the total estimated costs for each contract.
- the value of work performed as certified by the architects or external quantity surveyors.

Significant judgement is required in determining the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue and contract costs, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. In making the judgement, management's evaluation is based on past experience and knowledge of the work specialists. The carrying amounts of the Group's amounts due from contract customers and amounts due to contract customers were $12,715,033 (2015: $6,906,315) and $1,280,842 (2015: $849,329) respectively.

Depreciation of property, plant and equipment

The Group depreciates the property, plant and equipment, using the straight-line method, over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amounts of the Group's property, plant and equipment at 31 December 2016 was $43,437,102 (2015: $16,032,213).

Provision for income taxes

The Group has exposure to income taxes in several jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amounts of the Group's current tax payable and income tax recoverable as at 31 December 2016 were $436,550 (2015: $13,445) and $Nil (2015: $10,955) respectively. The carrying amount of the Group's deferred tax liabilities as at 31 December 2016 was $809,168 (2015: $936,516).

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the CGU to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. The carrying amount of goodwill as at 31 December 2016 was $2,934,535 (2015: $2,934,535).

Amortisation and impairment of other intangible assets

Intangible assets are amortised on a straight-line method over the estimated useful life of 6 to 9.25 years. Changes in the expected level of benefits to be derived from the other intangible asset could impact the economic useful life and the residual value of the other intangible asset and therefore, future amortisation charges may be revised.

At the end of each financial year, other intangible assets are assessed for indicators of impairment. This requires an estimation of the value-in-use of the other intangible assets. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of other intangible assets as at 31 December 2016 was $6,954,859 (2015: $6,835,355).

Estimated fair value of contingent consideration

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is estimated by considering possible scenarios of forecast sales contracts and other performance criteria, the amount to be paid under each scenario, and the probability of each scenario, which is then discounted to a net present value. Actual outcomes could vary from these estimates as new facts emerge and each scenario develops. The carrying amount of the Group’s contingent consideration at fair value through profit or loss as at 31 December 2016 was $Nil (2015: $2,016,403).

4. Property, plant and equipment

	Office equipment, furniture and fittings $	Motor vehicles $	Machinery $	Exhibition services assets $	Licenced interactive exhibition assets $	Construction in progress $	Total $
Group							
2016							
Cost							
At 1 January 2016	4,272,138	1,225,542	93,750	5,918,275	10,522,031	4,008,689	26,040,425
Exchange difference on translation	258,859	8,189	1,681	55,899	1,439,656	(3,506)	1,760,778
Additions	4,507,121	43,859	77,992	2,058,905	20,587,091	2,337,199	29,612,167
Transfer	326,935	–	–	1,288,419	2,250,436	(3,865,790)	–
Disposals/write-offs	(55,228)	(430,140)	–	(40,106)	–	–	(525,474)
At 31 December 2016	9,309,825	847,450	173,423	9,281,392	34,799,214	2,476,592	56,887,896
Accumulated depreciation							
At 1 January 2016	4,018,470	611,857	93,750	4,999,426	284,709	–	10,008,212
Exchange difference on translation	38,445	6,310	88	30,229	129,580	–	204,652
Depreciation	468,455	173,377	8,959	659,622	2,244,743	–	3,555,156
Disposals/write-offs	(54,963)	(227,773)	–	(34,490)	–	–	(317,226)
At 31 December 2016	4,470,407	563,771	102,797	5,654,787	2,659,032	–	13,450,794
Carrying amount							
At 31 December 2016	4,839,418	283,679	70,626	3,626,605	32,140,182	2,476,592	43,437,102

4. Property, plant and equipment (Continued)

	Office equipment, furniture and fittings	Motor vehicles	Machinery	Exhibition services assets	Licenced interactive exhibition assets	Construction in progress	Total
	$	$	$	$	$	$	$
Group							
2015							
Cost							
At 1 January 2015	4,023,728	1,012,081	93,750	6,074,580	–	–	11,204,139
Exchange difference on translation	46,721	(7,364)	–	69,010	(77,488)	(29,656)	1,223
Acquired on acquisition of a subsidiary (Note 7)	–	–	–	–	10,599,519	–	10,599,519
Additions	207,505	291,937	–	103,102	–	4,038,345	4,640,889
Disposals/write-offs	(5,816)	(71,112)	–	(328,417)	–	–	(405,345)
At 31 December 2015	4,272,138	1,225,542	93,750	5,918,275	10,522,031	4,008,689	26,040,425
Accumulated depreciation							
At 1 January 2015	3,580,267	516,845	93,750	4,756,285	–	–	8,947,147
Exchange difference on translation	46,753	4,181	–	64,681	7,995	–	123,610
Depreciation	397,266	154,711	–	453,431	276,714	–	1,282,122
Disposals/write-offs	(5,816)	(63,880)	–	(274,971)	–	–	(344,667)
At 31 December 2015	4,018,470	611,857	93,750	4,999,426	284,709	–	10,008,212
Carrying amount							
At 31 December 2015	253,668	613,685	–	918,849	10,237,322	4,008,689	16,032,213

4. Property, plant and equipment (Continued)

	Office equipment, furniture and fittings $
Company	
2016	
Cost	
At 1 January 2016	300,229
Disposals	(36,558)
At 31 December 2016	263,671
Accumulated depreciation	
At 1 January 2016	300,229
Disposals	(36,558)
At 31 December 2016	263,671
Carrying amount	
At 31 December 2016	–
2015	
Cost	
At 1 January 2015 and 31 December 2015	300,229
Accumulated depreciation	
At 1 January 2015 and 31 December 2015	300,229
Carrying amount	
At 31 December 2015	–

As at the end of the financial year, the carrying amounts of property, plant and equipment of the Group acquired under finance lease agreements are as follows:

	2016 $	2015 $
Motor vehicles	88,719	412,403

As at the end of the financial year, the carrying amounts of motor vehicles of the Group registered in the name of a Director and held in trust are as follows:

	2016 $	2015 $
Motor vehicles	–	271,283

4. Property, plant and equipment (Continued)

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $29,612,167 (2015: $4,640,889). Cash payments of $29,612,167 (2015: $4,570,289) were made to purchase property, plant and equipment.

5. Goodwill

	Group	
	2016	**2015**
	$	**$**
Cost		
Balance at beginning of financial year	3,170,872	333,643
Acquisition of subsidiary (Note 7)	–	2,837,229
Balance at end of financial year	3,170,872	3,170,872
Impairment loss		
Balance at beginning and end of financial year	(236,337)	(236,337)
Carrying amount		
Balance at end of financial year	2,934,535	2,934,535

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated to the following CGUs:

	Group	
	2016	**2015**
	$	**$**
Exhibitions	50,146	50,146
Interior architecture	47,160	47,160
Intellectual property rights	2,837,229	2,837,229
	2,934,535	2,934,535

The Group tests the CGUs for impairment annually, or more frequently when there is an indication that goodwill may be impaired.

The recoverable amounts of the CGUs are determined based on a value-in-use calculation using the cash flow projections based on financial budgets approved by management covering a five-year period for exhibitions and interior architecture CGUs and an eight-year period based on the remaining licence period for the intellectual property rights CGU.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risk specific to the CGUs. The annual growth rates used are based on management's experience and best estimates from the forecasted growth rates of the industry relevant to the CGUs.

With regard to the assessment of value-in-use of the goodwill, the management believes that no reasonably possible change in any of the key assumptions applied would cause the carrying values of the CGUs to materially exceed their recoverable amounts.

5. Goodwill (Continued)

The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used for the eight-year cash flows projections of intellectual property rights CGU are as follows:

	Intellectual property rights
2016	
Growth rate (%)	21.0
Pre-tax discount rate (%)	*7.7
2015	
Growth rate (%)	17.8
Pre-tax discount rate (%)	*14.5

* The pre-tax discount rate of 7.7% in current financial year was the weighted average cost of capital of the Company doing business in Singapore. This is an appropriate rate to be used in cash flow projections for intellectual property rights segment as the Group raised its funds by way of equity and bank borrowings in Singapore for funding its interactive exhibition sets builds, business expansion and its operations.

The pre-tax discount rate of 14.5% in the previous financial year was the weighted average cost of capital of the Company doing business in the United States of America. As the intellectual property rights business was newly acquired, hence this rate was used in the cash flow projection in the Purchase Price Allocation report which was done immediately after the acquisition on 30 September 2015 (Note 7).

Nonetheless, the Company has done a simulation of discount rates of up to 15% before the discounted cash flow breaks even.

6. Other intangible assets

	Group	
	2016 $	2015 $
Licences		
Cost		
Balance at beginning of financial year	7,025,226	–
Exchange difference on translation	41,160	–
Additions	969,800	–
Acquisition of subsidiary (Note 7)	–	7,025,226
Balance at end of financial year	8,036,186	7,025,226
Accumulated amortisation		
Balance at beginning of financial year	189,871	–
Exchange difference on translation	4,575	–
Amortisation during the year	886,881	189,871
Balance at end of financial year	1,081,327	189,871
Carrying amount		
Balance at end of financial year	6,954,859	6,835,355

The Group's other intangible assets pertain to the licences to produce and distribute TRANSFORMERS and Marvel's The AVENGERS related exhibitions. The licences are amortised over the estimated useful life of 6 to 9.25 years (2015: 9.25 years) and have a remaining amortisation period of 5 to 8 years (2015: 9 years).

During the financial year, amortisation expense of $886,881 (2015: $189,871) has been recognised under "administrative and other operating expenses" line item in profit or loss.

7. Subsidiaries

Investments in subsidiaries are as follows:

	Company 2016 $	Company 2015 $
Unquoted equity shares, at cost	34,528,909	35,286,441
Employee's share options investment, at cost	636,409	636,409
Allowance for impairment loss	(652,764)	(1,037,793)
	34,512,554	34,885,057

Movements in allowance for impairment loss of investments in subsidiaries are as follows:

	Company 2016 $	Company 2015 $
Balance at beginning of financial year	1,037,793	1,037,793
Write off of impairment loss during the financial year	(385,029)	–
Balance at end of financial year	652,764	1,037,793

Strike off of a subsidiary

A wholly-owned subsidiary, Cityneon Shelter Events (Shenzhen) Pte. Ltd. ("Shenzhen") was struck off during the financial year. The Company had made an impairment loss of $385,029 relating to investment in Shenzhen in the previous financial years. The related impairment loss has been written off during the financial year.

As at the end of the financial year, the Company carried out a review of the recoverable amount of the investments in subsidiaries, as a result of indicators of impairment on investments in subsidiaries based on the existing performance of certain subsidiaries during the financial year. The assessment was made with reference to their respective estimated value-in-use as at the date of assessment. The discount rate used in measuring value-in-use was 7.7% (2015: 6.2%). No impairment loss has been recognised for the financial year ended 31 December 2016.

The details of the subsidiaries are as follows:

Name of subsidiaries	Place of incorporation/ registration and principal place of business	Principal activities	Proportion of ownership interest held by the Group 2016 %	Proportion of ownership interest held by the Group 2015 %	Proportion of ownership interest held by non-controlling interests 2016 %	Proportion of ownership interest held by non-controlling interests 2015 %
Cityneon Creations Pte Ltd[(1)]	Singapore	Provision of design and build services for custom built exhibition pavilions and road shows	100	100	–	–
Cityneon Events Pte. Ltd.[(1)]	Singapore	Provision of management, projects, logistics and ownership service for events and festivals	100	100	–	–

7. Subsidiaries (Continued)

The details of the subsidiaries are as follows: (Continued)

Name of subsidiaries	Place of incorporation/ registration and principal place of business	Principal activities	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interests	
			2016	2015	2016	2015
			%	%	%	%
Comprise Electrical (S) Pte Ltd[(1)]	Singapore	Provision of electrical services for exhibitions and event management industries	100	100	–	–
Cityneon Exhibition Services Pte Ltd[(1)]	Singapore	Provision of exhibition services including rental of reusable modules, furnishings and furniture	100	100	–	–
Cityneon Contracts Sdn. Bhd.[(3)]	Malaysia	Provision of exhibitions and event management services, including rental of reusable modules and furnishings, road shows and custom-built pavilions	100	100	–	–
Dayspring Entertainment Pte. Ltd.[(1)]	Singapore	Provision of event organising, management and event marketing services	100	100	–	–
Themewerks Pte. Ltd.[(1)]	Singapore	Design, build, construct, manufacture, trade in projects and components of water features, landscapes, thematic parks, thematic events, thematic leisure and entertainment outlets	100	100	–	–
Cityneon (Middle East) W.L.L.[(2)]	Kingdom of Bahrain	Provision of exhibition services including rental of reusable modules and furnishings, custom-built pavilions and road shows	100	100	–	–

7. Subsidiaries (Continued)

The details of the subsidiaries are as follows: (Continued)

Name of subsidiaries	Place of incorporation/ registration and principal place of business	Principal activities	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interests	
			2016 %	2015 %	2016 %	2015 %
Cityneon Ventures Pte. Ltd.[(1)] (formerly known as Wonderful World Pte. Ltd.)	Singapore	Provision of design and build services for museums and visitor galleries, interior architecture and shop fit-outs	100	100	–	–
Cityneon Management Services Pte. Ltd.[(1)]	Singapore	Provision of management, human resource and general office administration services	100	100	–	–
Victory Hill Exhibitions Pte. Ltd.[(1)]	Singapore	Exhibition producer and intellectual property	100	100	–	–
Cityneon Exhibition Services (Vietnam) Co., Ltd[(5)]	Socialist Republic of Vietnam	Provision of interior and exterior decoration for offices, commercial buildings, shop, museums and theme parks	100	100	–	–
Cityneon Vietnam Company Limited[(5)]	Socialist Republic of Vietnam	Provision of project management services (other than for construction) and to engage in the installation, assembly, building completion and finishing works	100	100	–	–
Victory Hill Exhibition (Shanghai) Pte Ltd[(10)] (formerly known as Cityneon Shanghai Co. Ltd.)	People's Republic of China	Provision of interior fit-out services, exhibition and event services, sports management services and conceptualisation design and build	100	100	–	–
Cityneon Myanmar Company Limited[(10)]	Republic of the Union of Myanmar	Provision of interior fit-out services, exhibition and event services	100	100	–	–

7. Subsidiaries (Continued)

The details of the subsidiaries are as follows: (Continued)

Name of subsidiaries	Place of incorporation/ registration and principal place of business	Principal activities	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interests	
			2016 %	2015 %	2016 %	2015 %
Bahrain Cityneon Co. W.L.L.[6]	Kingdom of Bahrain	Interior designs for offices and homes, and third grade décor contracts	100	100	–	–
Interbuild Construction Company Sdn Bhd[7]	Brunei Darussalam	Provision of general, civil engineering and building contractors	90	90	10	10
PT Wonderful World Marketing Services Indonesia[10]	Indonesia	Provision of business and management consulting services	100	100	–	–
Cityneon Holdings Limited & Cityneon Creations Pte Ltd & Cityneon DAG India Private Limited – Joint Venture[9]	India	Provision of interior designing	90	90	10	10
Cityneon Creations India Private Limited[9]	India	Provision of interior designing	90	90	10	10
Cityneon Hong Kong Company Limited[10]	Hong Kong	Provision of interior designing	100	-	–	–
Artscapes Themewerks Pte. Ltd.[1]	Singapore	Design, build, construct, manufacture, trade in projects and components of water features, landscapes, thematic parks, thematic events, thematic leisure and entertainment outlets	65	65	35	35
C.N. Overseas Services W.L.L.[6]	Kingdom of Bahrain	Provision of contracting, designing and executing exhibition decoration and structure; renting services for international exhibitions fixtures, import, export and sales of décor materials	100	100	–	–

7. **Subsidiaries** (Continued)

The details of the subsidiaries are as follows: (Continued)

Name of subsidiaries	Place of incorporation/ registration and principal place of business	Principal activities	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interests	
			2016 %	2015 %	2016 %	2015 %
E-Graphics Displays Pte Ltd(1)	Singapore	Designer and production of environmental graphic materials including banners, posters, bill-boards and general signages for event and exhibition venues	60	60	40	40
Shanghai Cityneon Exhibition Services Co., Ltd.(4)	People's Republic of China	Designer and provider of services for trade fairs, exhibitions and displays	100	100	–	–
Station-LV, LLC(8)	United States of America	Provision of leasing space, planning and construction of an exhibition facility	100	100	–	–
Victory Hill Entertainment Group, LLC(8)	United States of America	Provision of worldwide administrative function, supporting the activities of affiliates	100	100	–	–
Victory Hill Exhibitions (UK) Limited(10)	United Kingdom	Exhibition producer and intellectual property	100	100	–	–
VHE (HK) Limited(10)	Hong Kong	Provision of worldwide administrative function, supporting the activities of affiliates	100	–	–	–

(1) Audited by BDO LLP, Singapore

(2) Audited by KPMG Fakhro, Kingdom of Bahrain

(3) Audited by A.D.Chun & Co., Malaysia

(4) Audited by SBA Stone Forest CPA Co., Ltd, People's Republic of China

(5) Audited by BDO Audit Services Company Limited – Ho Chi Minh City office, a member firm of BDO International

(6) Audited by Mazars Chartered Accountants, Kingdom of Bahrain

(7) Audited by Lee & Raman Certified Public Accountants, Brunei Darussalam

(8) Audited by Moore Stephens Lovelace, P.A., United States of America

(9) Audited by Prakash K Prakash Chartered Accountants, Republic of India

(10) Not considered a significant subsidiary under Rule 718 of the SGX-ST Listing Manual

The Audit Committee and the Board of Directors are of the opinion that Rule 712, Rule 715 and Rule 716 of the SGX-ST Listing Manual have been complied with.

7. Subsidiaries (Continued)

Non-controlling interests

The non-controlling interests arising from Interbuild Construction Company Sdn Bhd, Cityneon Holdings Limited & Cityneon Creations Pte Ltd & Cityneon DAG India Private Limited – Joint Venture, Cityneon Creations India Private Limited, Artscapes Themewerks Pte. Ltd. and E-Graphic Displays Pte Ltd are considered to be insignificant to the Group's financial statements.

Additional investment in subsidiaries

During the financial year ended 31 December 2016, the Company increased the paid-up capital of its subsidiary, Cityneon Holdings Limited & Cityneon Creations Pte Ltd & Cityneon DAG India Private Limited – Joint Venture by Indian Rupee ("INR") INR500,000 (approximately $10,649), from $Nil to $10,649 and non-controlling interests contributed $2,130 towards the share capital of this subsidiary.

In the previous financial year, the Company increased the paid-up capital of its wholly-owned subsidiary, Cityneon Vietnam Company Limited by United States Dollar ("USD") USD330,000 (approximately $460,020), from USD50,000 (approximately $61,385) to USD380,000 (approximately $521,405).

In the previous financial year, the Company increased the paid-up capital of its wholly-owned subsidiary, Cityneon Events Pte. Ltd. ("CEV") from $3,000,000 to $3,350,000 by the allotment of 350,000 ordinary shares at $1 each by way of capitalisation of amounts due from CEV.

Incorporation of subsidiaries

On 4 October 2016, the Company incorporated a wholly-owned subsidiary, Cityneon Hong Kong Company Limited, a company incorporated in Hong Kong with $Nil paid-up capital.

On 21 April 2016, the Company's subsidiary, Victory Hill Exhibitions Pte. Ltd., incorporated a wholly-owned subsidiary, VHE (HK) Limited, a company incorporated in Hong Kong with an issued and paid-up capital of Hong Kong Dollar ("HKD") HKD100 (approximately $18).

On 16 December 2015, the Company's subsidiary, Victory Hill Exhibitions Pte. Ltd., incorporated a wholly-owned subsidiary, Victory Hill Exhibitions (UK) Limited, a company incorporated in the United Kingdom with $Nil paid-up capital.

On 16 October 2015, the Company's subsidiary, Victory Hill Exhibitions Pte. Ltd., incorporated a wholly-owned subsidiary, Victory Hill Entertainment Group LLC, a company incorporated in the United States of America with $Nil paid-up capital.

On 12 October 2015, the Company and its subsidiary, Cityneon Creations Pte Ltd (a wholly-owned subsidiary of the Company), incorporated Cityneon Creations India Private Limited in the Republic of India with $Nil paid-up capital.

Acquisition of subsidiaries

<u>Victory Hill Exhibitions Pte. Ltd.</u>

On 1 April 2015, the Company entered into a sale and purchase agreement with Philadelphia Investment Ltd (the "Seller") to acquire 100% equity interest in Victory Hill Exhibitions Pte. Ltd. ("VHE"). The acquisition was completed on 30 September 2015 and VHE became a subsidiary of the Group. This acquisition enabled the Group to leverage on the highly popular and well-known comic characters for its future events and exhibitions. This acquisition was expected to diversify the Group's revenue stream and enhance performance in the foreseeable future.

7. Subsidiaries (Continued)

Acquisition of subsidiaries (Continued)

Victory Hill Exhibitions Pte. Ltd. (Continued)

As part of the sales and purchase agreement, a contingent consideration arrangement had been agreed. In the event (i) VHE's profit after tax for the 12-month period ended 30 June 2016 as set out in the audited accounts for the same period ("2015/2016 PAT") was equal to or greater than $2,800,000 ("Year 1 Profit Guarantee") and (ii) provided that the Guarantor (a director of the Seller) was in compliance in all material respects with the terms of his Management Agreement from 30 September 2015 to 30 June 2016, the Seller shall be entitled to the following from the Company:

(a) the sum of $2,000,000 ("deferred payment") in cash; and

(b) a sum in cash, equivalent to 30% of the amount by which the 2015/2016 PAT exceeds the Year 1 Profit Guarantee ("incentive payment").

Should the 2015/2016 PAT be less than the Year 1 Profit Guarantee, the Seller shall pay the Company the shortfall payment in cash, being the difference between the 2015/2016 PAT and the Year 1 Profit Guarantee.

For the avoidance of doubt, the Seller shall not be entitled to the deferred payment and the incentive payment if the 2015/2016 PAT is less than the Year 1 Profit Guarantee and if the Guarantor was not in compliance, in any material respect, with the terms of his Management Agreement from 30 September 2015 to 30 June 2016.

The terms of the sales and purchase agreement further provides for the following:

(c) where (i) VHE's profit after tax for the 12-month period ending 30 June 2017 as set out in the audited accounts for the same period ("2016/2017 PAT") is equal to or greater than $4,500,000 ("Year 2 Profit Target") and (ii) the Guarantor is in compliance in all material respects with the terms of his Management Agreement from 30 September 2015 to 30 June 2017, the Seller shall be entitled to the sum in cash equivalent to 30% of the amount by which the 2016/2017 PAT exceeds the Year 2 Profit Target from the Company, no later than 31 July 2017; and

(d) where (i) VHE's profit after tax for the 12-month period ending 30 June 2018 as set out in the audited management accounts for the same period ("2017/2018 PAT") is equal to or greater than $5,500,000 ("Year 3 Profit Target") and (ii) the Guarantor is in compliance in all material respects with the terms of his Management Agreement from 30 September 2015 to 30 June 2018, the Seller shall be entitled to the sum in cash equivalent to 30% of the amount by which the 2017/2018 PAT exceeds the Year 3 Profit Target from the Company, no later than 31 July 2018.

As at the acquisition date, the fair value of the contingent consideration was estimated at $2,016,403.

7. **Subsidiaries** (Continued)

Acquisition of subsidiaries (Continued)

Victory Hill Exhibitions Pte. Ltd. (Continued)

The fair values of the identifiable assets and liabilities of VHE as at the date of acquisition were:

	Fair value recognised on date of acquisition $
Intangible assets	7,025,226
Property, plant and equipment	10,599,519
Other receivables and prepayments	1,737,686
	19,362,431
Borrowings	1,390,000
Deferred tax liabilities	918,257
	2,308,257
Net identifiable assets at fair value	17,054,174
Total consideration	(19,891,403)
Goodwill arising from the acquisition	(2,837,229)

The fair values of other receivables and prepayments approximate the gross contractual amounts as no amounts are expected to be uncollectable.

	$
Consideration for acquisition of 100% equity interest in VHE	
- Cash paid	10,000,000
- 45,000,000 ordinary share of the Company issued at $0.175 each	7,875,000
Total consideration transferred	17,875,000
- Contingent consideration recognised as at acquisition date	2,016,403
Total consideration	19,891,403

In connection with the acquisition of the 100% equity interest in VHE, the Company issued 45,000,000 ordinary shares with a fair value of $0.175 each. The fair value of these shares was the published price of the shares at the acquisition date.

From the date of acquisition to 31 December 2015, VHE and its subsidiaries had contributed $687,050 of revenue and $399,947 of loss, net of tax of the Group. If the combination had taken place at the beginning of the previous financial year, the Group's revenue and profit, net of tax in the financial year ended 31 December 2015 would have been $96,488,285 and $639,200 respectively.

Goodwill of $2,837,229 arising from the acquisition is attributable to the intellectual property rights business and the expected synergies from combining the operations of the Group with those of VHE.

None of the goodwill is expected to be deductible for tax purposes.

Transaction costs related to the acquisition of $1,197,944 had been recognised under "administrative and other operating expenses" line item in the Group's consolidated statement of comprehensive income for the financial year ended 31 December 2015.

7. Subsidiaries (Continued)

Acquisition of subsidiaries (Continued)

Victory Hill Exhibitions Pte. Ltd. (Continued)

The effects of acquisition on the cash flows were as follows:

	2015 $
Net cash outflow on acquisition represents purchase consideration paid in cash	(10,000,000)

8. Associate

	Group	
	2016 $	2015 $
Unquoted equity shares, at cost	360,000	360,000
Share of post-acquisition results	(100,054)	15,784
	259,946	375,784

On 28 April 2015, Cityneon Events Pte. Ltd., a wholly-owned subsidiary of the Company subscribed for 360 ordinary shares in Poh Wah Event Scaffolding Pte. Ltd. ("Poh Wah") for a total consideration of $360, which represented 30% of the issued and paid-up capital of Poh Wah. Subsequently, on 4 June 2015, Poh Wah increased its issued and paid-up capital from $1,200 to $1,200,000 by an allotment of 1,198,800 ordinary shares of $1 each. Cityneon Events Pte. Ltd. subscribed for 359,640 ordinary shares of $1 each in Poh Wah for a total consideration of $359,640 ("Subscription of Shares"). Following the Subscription of Shares, the equity interest remained at 30%.

The details of the associate are as follows:

Name of associate	Place of incorporation/ registration and principal place of business	Principal activities	Proportion of ownership interest held by the Group	
			2016 %	2015 %
Held by Cityneon Events Pte. Ltd.				
Poh Wah Event Scaffolding Pte. Ltd.	Singapore	Event organisers	30	30

Poh Wah is a strategic partnership for the Group, acting as organisers of events or concert.

The financial year-end of Poh Wah is 31 March each year.

8. Associate (Continued)

Summarised financial information (immaterial associate)

	Group	
	2016	2015
	$	$
(Loss)/profit for the year, representing total comprehensive income	(115,838)	15,784

9. Prepayments

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Non-current				
Prepaid lease	495,989	968,838	–	–
Current				
Prepaid lease	517,939	878,487	–	–
Prepaid royalties	3,010,816	1,218,250	–	–
Others	429,197	289,885	3,746	900
	3,957,952	2,386,622	3,746	900
	4,453,941	3,355,460	3,746	900

Prepaid royalties pertain to payments made for the use of rights and licences in future exhibitions.

10. Inventories

	Group	
	2016	2015
	$	$
Consumables	177,629	190,549
Merchandises	553,710	–
	731,339	190,549

11. Amounts due from/(to) contract customers

	Group	
	2016	2015
	$	$
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	97,769,449	114,291,907
Less: Progress billings	(86,335,258)	(108,234,921)
	11,434,191	6,056,986
Comprising:		
Amounts due from contract customers	12,715,033	6,906,315
Amounts due to contract customers	(1,280,842)	(849,329)
	11,434,191	6,056,986

As at 31 December 2016, the retention monies held by customers for contract work amounted to $1,381,197 (2015: $3,857,448). Advance received from customers for contract work amounted to $498,373 (2015: $1,060,819) and they are presented as advances and deposits received from customers in Note 24.

12. Trade and other receivables

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Trade receivables	18,872,230	12,943,782	6,633	50,741
Allowance for impairment loss on trade receivables	(788,221)	(531,444)	–	–
	18,084,009	12,412,338	6,633	50,741
Other receivables	3,488,309	4,386,005	154,782	48,744
Unbilled receivables	818,312	8,450,993	–	–
Advances to suppliers	1,637,841	747,390	15,144	–
Income tax recoverable	–	10,955	–	–
Total trade and other receivables	24,028,471	26,007,681	176,559	99,485
Add:				
Deposits	729,157	601,119	4,530	4,530
Amounts due from contract customers (Note 11)	12,715,033	6,906,315	–	–
Amounts owing by subsidiaries (Note 13)	–	–	29,301,611	16,003,235
Amounts owing by related parties (Note 14)	–	55,043	–	–
Cash and cash equivalents (Note 15)	23,779,019	24,268,827	2,179,985	777,460
Less:				
Advances to suppliers	(1,637,841)	(747,390)	(15,144)	–
GST and VAT receivables	(433,381)	(157,168)	(6,634)	(50,741)
Income tax recoverable	–	(10,955)	–	–
Total loans and receivables	59,180,458	56,923,472	31,640,907	16,833,969

Trade receivables are non-interest bearing and generally on 30 to 90 days (2015: 30 to 90 days) credit terms.

Other receivables consist mainly of payment on behalf of a sub-contractor for projects in Middle East.

12. Trade and other receivables (Continued)

Movements in allowance for impairment loss on trade receivables are as follows:

	Group	
	2016	2015
	$	$
Balance at beginning of financial year	531,444	426,936
Allowance made during the financial year	243,973	80,027
Bad debt written off against allowance	–	(450)
Exchange difference on translation	12,804	24,931
Balance at end of financial year	788,221	531,444

Allowance for impairment loss on trade receivables of $243,973 (2015: $80,027) was recognised in profit or loss subsequent to a debt recovery assessment performed on trade and other receivables. Allowances made in respect of estimated irrecoverable amounts are determined by reference to past default experience.

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Singapore Dollar	5,268,515	11,916,222	176,559	99,485
United States Dollar	6,620,585	625,471	–	–
Bahraini Dinar	4,383,312	3,801,478	–	–
Ringgit Malaysia	2,832,052	3,375,560	–	–
Vietnamese Dong	1,648,027	493,237	–	–
Omani Rial	1,298,038	4,128,453	–	–
Chinese Renminbi	1,117,807	1,594,235	–	–
Euro	482,961	–	–	–
Indian Rupee	372,035	–	–	–
Brunei Dollar	4,640	70,288	–	–
Others	499	2,737	–	–
	24,028,471	26,007,681	176,559	99,485

13. Amounts owing by/(to) subsidiaries

	Company	
	2016	2015
	$	$
Amounts owing by subsidiaries		
- non-trade	29,983,263	16,684,887
Less: Allowance for impairment loss on amounts owing by subsidiaries	(681,652)	(681,652)
	29,301,611	16,003,235
Amounts owing to subsidiaries		
- non-trade	(5,381,717)	(2,737,181)

The non-trade amounts owing by/(to) subsidiaries represent advances made/received and are unsecured, interest-free and repayable on demand.

13. Amounts owing by/(to) subsidiaries (Continued)

Movements in allowance for impairment loss on amounts owing by subsidiaries are as follows:

	Company	
	2016	2015
	$	$
Balance at beginning of financial year	681,652	300,000
Allowance made during the financial year	–	381,652
Balance at end of financial year	681,652	681,652

In previous financial year, an allowance for impairment loss on non-trade amounts owing by subsidiary amounting to $381,652 arose mainly from a subsidiary which had suffered significant losses from its operations where it was not probable that the balances due from this subsidiary would be recoverable.

Amounts owing by/(to) subsidiaries are denominated in the following currencies:

	Company	
	2016	2015
	$	$
Amounts owing by subsidiaries		
- Singapore Dollar	25,570,966	13,423,829
- United States Dollar	3,730,645	2,579,406
	29,301,611	16,003,235
Amounts owing to subsidiaries		
- Singapore Dollar	(5,188,317)	(2,543,781)
- Indonesian Rupiah	(193,400)	(193,400)
	(5,381,717)	(2,737,181)

14. Amounts owing by/(to) related parties

	Group	
	2016	2015
	$	$
Amounts owing by related parties – trade	–	55,043
Amounts owing to related parties - non-trade	–	(21,961)

The trade amounts owing by related parties were unsecured, non-interest bearing and generally on 30 to 60 days credit terms.

The non-trade amounts owing to related parties were unsecured, non-interest bearing and repayable on demand.

14. Amounts owing by/(to) related parties (Continued)

Amounts owing by/(to) related parties were denominated in the following currencies:

	Group	
	2016	2015
	$	$
Amounts owing by related parties		
- Singapore Dollar	–	55,043
Amounts owing to related parties		
- United States Dollar	–	(21,961)

15. Cash and cash equivalents

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Fixed deposits with banks	1,385,464	1,342,029	–	–
Cash and bank balances	22,393,555	22,926,798	2,179,985	777,460
Cash and cash equivalents as per statements of financial position	23,779,019	24,268,827	2,179,985	777,460
Less: Long-term fixed deposits	(1,168,180)	(1,117,890)		
Cash and cash equivalents as per consolidated statement of cash flows	22,610,839	23,150,937		

Short term fixed deposits have maturity period of 7 days (2015: 7 days) and bear effective interest rate of 1.35% (2015: 1.37%) per annum.

Long-term fixed deposits have maturity period of 365 days (2015: 365 days) and bear effective interest rate of 1.05% (2015: 1.05%) per annum.

Included in the Group's cash and cash equivalents is an amount of $6,951,203 (2015: $4,954,186) held by subsidiaries in the People's Republic of China ("PRC") which are subject to foreign currency exchange restrictions. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange for foreign currencies through banks that are authorised to conduct foreign exchange business.

15. Cash and cash equivalents (Continued)

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Singapore Dollar	3,482,137	3,540,866	1,418,096	625,117
Chinese Renminbi	6,509,666	4,292,590	–	–
Bahraini Dinar	6,434,648	3,748,132	–	–
United States Dollar	4,121,128	6,291,405	754,479	144,787
Qatari Rial	2,663,457	712,379	–	–
Ringgit Malaysia	181,727	229,674	–	–
Omani Rial	147,835	3,702,113	–	–
Euro	133,909	1,409,267	7,410	7,556
Brunei Dollar	41,960	236,794	–	–
Vietnamese Dong	6,655	39,723	–	–
Others	55,897	65,884	–	–
	23,779,019	24,268,827	2,179,985	777,460

16. Share capital

	Group and Company			
	2016	2015	2016	2015
	Number of ordinary shares		$	$
Issued and fully-paid				
At beginning of financial year	220,818,795	88,525,400	38,006,064	14,602,328
Share placement	20,000,000	–	11,000,000	–
Share options exercised	3,837,400	–	1,504,096	–
Transfer of share option reserve to share capital on exercise of options	–	–	257,700	–
Rights issue	–	87,293,395	–	15,712,811
Consideration shares issued (Note 7)	–	45,000,000	–	7,875,000
Share issue expenses	–	–	(391,558)	(184,075)
	23,837,400	132,293,395	12,370,238	23,403,736
At end of financial year	244,656,195	220,818,795	50,376,302	38,006,064

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares have no par value and carry one vote per share without restrictions.

On 20 May 2016, the Company issued 20,000,000 ordinary shares at $0.55 each for a total consideration of $11,000,000. Share issue expenses relating to the share issue amounted to $391,558. The newly issued shares rank pari passu in all respects with previously issued shares.

In the previous financial year, the Company issued 87,293,395 ordinary shares at $0.18 each for a total consideration of $15,712,811, to fund the acquisition of VHE and for the Group's working capital purposes. Share issue expenses relating to the rights issue amounted to $184,075. The newly issued shares rank pari passu in all respects with previously issued shares.

16. Share capital (Continued)

In the previous financial year, in connection with the acquisition of the 100% equity interest in VHE, the Company issued 45,000,000 ordinary shares with a fair value of $0.175 each for a total consideration of $7,875,000. The fair value of these shares was the published price of the shares at the acquisition date.

The Company has an employee share option scheme (the "Scheme") under which options to subscribe for the Company's ordinary shares have been granted to employees of the Group.

Share options granted under the Scheme carry no rights to dividends and no voting rights. Further details of the employee share option scheme are disclosed in Note 18 to the financial statements.

17. Reserves

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Retained earnings	19,423,476	12,741,636	828,274	118,269
Statutory reserve	148,608	148,608	–	–
Premium paid on acquisition of non-controlling interests	(10,000)	(10,000)	–	–
Share option reserve	3,448	262,100	176,358	434,058
Currency translation reserve	(645,295)	(1,581,814)	–	–
	18,920,237	11,560,530	1,004,632	552,327

Retained earnings

Movements of retained earnings of the Company are as follows:

	Company	
	2016	2015
	$	$
Balance at beginning of financial year	118,269	1,334,152
Total comprehensive income for the financial year	710,005	(564,557)
Dividends (Note 32)	–	(885,254)
Transfer of share option reserve	–	233,928
Balance at end of financial year	828,274	118,269

Statutory reserve

The Bahrain Commercial Companies Law 2001 ("Law") required that 10% of net profit for the year be appropriated to a statutory reserve. Appropriation may cease when the reserve reaches 50% of the paid-up capital. The statutory reserve is not normally distributable except in the circumstances as stipulated in the Law.

Premium paid on acquisition of non-controlling interests

Premium paid on acquisition of non-controlling interests represents the effects of changes in interest in subsidiaries when there is no change in control.

17. Reserves (Continued)

Share option reserve

Share option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options.

Currency translation reserve

The currency translation reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations where functional currencies are different from that of the Group's presentation currency.

Movements in the reserves for the Group are shown in the consolidated statement of changes in equity.

18. Share-based compensation

Share options

The Company has a share option scheme for all employees of the Group under the Cityneon Employee Share Option Scheme (the "Scheme"). The Scheme is administered by the Remuneration Committee. Options are exercisable at a price based on the average of the last done prices for the shares of the Company on the Singapore Exchange Securities Trading Limited for the five market days preceding the date of grant. The Remuneration Committee may at its discretion fix the exercise price at a discount not exceeding 20% to the above price. The vesting period is 2 years. If the options remain unexercised after a period of 7 years (or 5 years for options granted to non-executive Directors) from the date of grant, the options expire.

Details of the share options outstanding during the year are as follows:

	Group and Company	
	Number of share options 2016	**Number of share options 2015**
Outstanding at beginning of year	3,874,400	4,530,400
Exercised during the year	(3,837,400)	–
Lapsed during the year	(8,000)	(656,000)
Outstanding at end of year	29,000	3,874,400

18. Share-based compensation (Continued)

Share options (Continued)

Employees

	Balance at beginning of financial year	Granted during the financial year	Exercised during the financial year	Lapsed/ forfeited/ expired during the financial year	Balance at end of financial year	Remaining life	Exercise price	Fair value at grant date
							$	$
At 31 December 2016								
2010 Options	929,000	–	(892,000)	(8,000)	29,000	5 months	0.312	0.12
Exercisable as at 31 December 2016					29,000		0.312	
At 31 December 2015								
2008 Options	455,000	–	–	(455,000)	–	–	–	–
2010 Options	1,030,000	–	–	(101,000)	929,000	17 months	0.312	0.12
	1,485,000	–	–	(556,000)	929,000			
Exercisable as at 31 December 2015					929,000		0.312	

The options granted to employees in 2008 and 2010 had an initial vesting period of 2 years with an exercise period to expire in 7 years from the date of grant. However due to General Offer in 2008, such options were vested upon grant and had a 6 month exercise period unless extended in accordance with the rules of the Scheme and with the approval of the shareholders. In 2009, the shareholders approved the extension of the expiry dates to 2 November 2015 for 2008 Options.

Former Director and non-executive Director

	Balance at beginning of financial year	Granted during the financial year	Exercised during the financial year	Lapsed/ forfeited/ expired during the financial year	Balance at end of financial year	Remaining life	Exercise price	Fair value at grant date
							$	$
At 31 December 2016								
2007 Options	1,000,000	–	(1,000,000)	–	–	–	0.46	0.13
2008 Options	945,400	–	(945,400)	–	–	–	0.48	0.12
2010 Options	1,000,000	–	(1,000,000)	–	–	–	0.312	0.12
	2,945,400	–	(2,945,400)	–	–			
Exercisable as at 31 December 2016					–		–	
At 31 December 2015								
2007 Options	1,000,000	–	–	–	1,000,000	4 months	0.46	0.13
2008 Options	945,400	–	–	–	945,400	4 months	0.48	0.12
2010 Options	1,100,000	–	–	(100,000)	1,000,000	17 months	0.312	0.12
	3,045,400	–	–	(100,000)	2,945,400			
Exercisable as at 31 December 2015					2,945,400		0.312 - 0.48	

18. Share-based compensation (Continued)

Share options (Continued)

Former Director and non-executive Director (Continued)

In 2009, the shareholders approved and ratified the 2007 and 2008 Options granted to Directors and non-executive Directors. The options were deemed granted from the date shareholders' approval was obtained. The options have initial vesting period of 2 years with exercise period to expire at the end of 7 years (or 5 years for the options granted to non-executive Directors) from the date shareholders' approval is obtained.

In 2010, the Company granted the 2010 Options to Directors and non-executive Directors with an initial vesting period of 2 years and with an exercise period to expire at 7 years (or 5 years for the options granted to non-executive Directors) from the date of grant.

The weighted average share price at the time of exercise was $0.57 (2015: $Nil) per share.

19. Finance lease obligations

	Group	
	2016 $	2015 $
Minimum lease payments payable:		
Due not later than one year	26,443	84,606
Due later than one year and not later than five years	39,918	178,697
	66,361	263,303
Finance charges allocated to future periods	(4,748)	(19,990)
Present value of minimum lease payments	61,613	243,313
Present value of minimum lease payments		
Current		
Due not later than one year	24,225	75,405
Non-current		
Due later than one year and not later than five years	37,388	167,908
	61,613	243,313

The effective interest rates of finance lease arrangements are 3.81% to 4.68% (2015: 3.81% to 4.68%) per annum.

The lease terms are 5 years (2015: 5 years).

Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Group's lease obligations approximate their carrying amounts.

The Group's obligations under finance leases are secured by the leased assets, which will revert to the lessors in the event of default by the Group.

Finance lease obligations are denominated in the following currencies:

	Group	
	2016 $	2015 $
Singapore Dollar	11,777	174,714
Ringgit Malaysia	49,836	68,599
	61,613	243,313

20. Deferred tax liabilities

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Balance at beginning of financial year	936,516	35,259	–	5,000
Arising from acquisition of subsidiary (Note 7)	–	918,257	–	–
Credited to profit or loss	(127,348)	(17,000)	–	(5,000)
Balance at end of financial year	809,168	936,516	–	–
Excess of net book value over tax written down value of property, plant and equipment	17,000	17,000	–	–
Fair value adjustments*	794,168	918,257	–	–
Provisions	(2,000)	(2,000)	–	–
Others	-	3,259	–	–
	809,168	936,516	–	–

* The fair value was recognised on acquisition of subsidiary which owned these assets.

21. Bank borrowings

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Current liabilities				
Short term bank loans	24,717,329	8,196,140	5,490,000	4,500,000

The Group's and the Company's short term bank loans bear effective interest from 1.93% to 5.92% (2015: 2.39% to 6.56%) per annum and are repayable by April 2017 (2015: April 2016).

The Group's and the Company's bank borrowings are secured by the corporate guarantee from the Company, ultimate holding company and certain subsidiaries.

The carrying amounts of the Group's and the Company's borrowings approximate their fair values at the end of the financial year.

Bank borrowings are denominated in the following currencies:

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Singapore Dollar	9,583,174	7,578,560	5,490,000	4,500,000
United States Dollar	14,493,000	–	–	–
Ringgit Malaysia	641,155	617,580	–	–
	24,717,329	8,196,140	5,490,000	4,500,000

22. Loan from ultimate holding company

Loan from ultimate holding company is unsecured with interest of 3.8% (2015: 3.8%) per annum, repayable by 31 December 2017 (2015: 31 December 2016) and denominated in Singapore Dollar.

23. Amounts owing to ultimate holding company

The trade amounts owing to ultimate holding company are unsecured, non-interest bearing and generally on 60 days (2015: 60 days) credit terms.

Amounts owing to ultimate holding company are denominated in Ringgit Malaysia.

24. Trade and other payables

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Trade payables	8,715,933	9,484,253	–	–
Deferred revenue	869,580	–	–	–
Accruals	4,163,137	8,814,787	316,060	391,321
Advances and deposits received from customers	4,011,700	1,240,589	–	–
Amounts owing to a Director of a subsidiary	118,942	308,687	–	–
Provision for unutilised leave	523,063	401,090	–	–
Contingent consideration at FVTPL (Note 7)	–	2,016,403	–	2,016,403
Provision of reinstatement cost	41,590	41,590	–	–
Other payables	1,162,691	1,470,850	110,274	67,371
Total trade and other payables	19,606,636	23,778,249	426,334	2,475,095
Add:				
Finance lease obligations (Note 19)	61,613	243,313	–	–
Bank borrowings (Note 21)	24,717,329	8,196,140	5,490,000	4,500,000
Loan from ultimate holding company (Note 22)	3,500,000	3,500,000	3,500,000	3,500,000
Amounts owing to ultimate holding company (Note 23)	2,135	5,802	–	–
Amounts owing to subsidiaries (Note 13)	–	–	5,381,717	2,737,181
Amounts owing to related parties (Note 14)	–	21,961	–	–
Less:				
Advances and deposits received from customers	(4,011,700)	(1,240,589)	–	–
Deferred revenue	(869,580)	–	–	–
Contingent consideration at FVTPL	–	(2,016,403)	–	(2,016,403)
GST and VAT payables	(162,878)	(356,112)	–	–
Provision for unutilised leave	(523,063)	(401,090)	–	–
Provision of reinstatement cost	(41,590)	(41,590)	–	–
Total financial liabilities carried at amortised cost	42,278,902	31,689,681	14,798,051	11,195,873

24. Trade and other payables (Continued)

Trade payables are generally repayable within 30 to 90 days (2015: 30 to 90 days).

Deferred revenue represents the licencing fee income received in respect of upcoming exhibitions.

Amounts owing to a Director of a subsidiary are non-trade in nature, unsecured, interest-free and repayable on demand.

Contingent consideration at FVTPL (Note 7)

Movements in contingent consideration at FVTPL are as follows:

	Group and Company	
	2016	**2015**
	$	**$**
Balance at beginning of financial year	2,016,403	–
Acquisition of subsidiary (Note 7)	–	2,016,403
Charged to profit or loss (Note 28)	624,798	–
Payment during the year	(2,641,201)	–
Balance at end of financial year	–	2,016,403

Contingent consideration relates to the portion of the purchase consideration identified at acquisition date in respect of the acquisition of Victory Hill Exhibitions Pte. Ltd. in 2015, which is a contingent obligation to deliver cash at a future date.

Subsequently, at each financial year end, the contingent consideration is remeasured at fair value with any adjustments through profit or loss.

The initial fair value as the consideration of $2,016,403 is included in cash flows from investing activities, and the remainder, totaling to $624,798, is recognised in cash flows from operating activities.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Singapore Dollar	5,378,176	13,611,849	419,417	2,460,422
United States Dollar	3,916,032	399,537	–	14,673
Bahraini Dinar	2,552,372	5,690,033	3,607	–
Chinese Renminbi	2,551,302	1,426,570	–	–
Indian Rupee	2,213,557	–	–	–
Vietnamese Dong	1,908,121	141,458	–	–
Ringgit Malaysia	597,385	1,466,856	–	–
Euro	335,252	579,554	–	–
Brunei Dollar	69,112	68,654	–	–
British Pound	30,160	322,839	–	–
Saudi Riyal	22,213	21,836	–	–
Others	32,954	49,063	3,310	–
	19,606,636	23,778,249	426,334	2,475,095

25. Revenue

	Group 2016 $	Group 2015 $
Contract revenue	79,091,647	95,307,620
Development fee	2,071,050	687,050
Licencing fee	9,565,987	–
Rendering of services	4,100,344	–
Royalties	1,143,523	–
Sale of goods	779,060	493,615
	96,751,611	96,488,285

26. Other operating income

	Group 2016 $	Group 2015 $
Trade payable written back	172,388	27,259
Foreign exchange gain, net	441,735	–
Gain on disposal of property, plant and equipment	11,102	20,673
Government grants		
- Productivity and Innovation Credit grants	113,465	207,051
- Wage Credit Scheme grants	171,335	103,568
- Global Company Partnership grants	432,750	–
- others	123,521	62,892
Rental income	81,571	94,988
Miscellaneous income	180,544	129,772
	1,728,411	646,203

27. Finance costs

	Group 2016 $	Group 2015 $
Bank loans interest	568,197	268,235
Loan interest charged by ultimate holding company	65,072	133,000
Finance lease interest	8,021	10,042
	641,290	411,277

28. Profit before income tax

In addition to the charges and credit disclosed elsewhere in the notes to the financial statements, the above includes the following charges:

	Group	
	2016	**2015**
	$	**$**
<u>Cost of sales</u>		
Cost of inventories recognised as expenses	328,336	473,915
Depreciation of property, plant and equipment	395,961	215,677
Operating lease expenses	1,460,746	–
Royalties expenses	873,580	–
Employee benefits expenses		
- salaries, bonuses and other short-term benefits	5,245,708	4,009,453
- contributions to defined contribution plan	136,091	170,184

The balance of cost of sales mainly comprises project costs, which include subcontractors' cost, graphic design cost and other direct cost.

<u>Administrative and other operating expenses</u>		
Audit fees paid to auditors:		
- Auditors of the Company	165,000	155,000
- Other auditors	64,249	63,713
Non-audit fees paid to auditors:		
- Auditors of the Company	44,500	72,250
- Other auditors	–	2,015
Allowance for impairment loss on trade receivables	243,973	80,027
Amortisation expense	886,881	189,871
Depreciation of property, plant and equipment	3,159,195	1,066,445
Foreign exchange loss, net	–	349,361
Incentive payment in respect of contingent consideration	624,798	–
Operating lease expenses	1,892,633	1,688,142
Property, plant and equipment written off	5,616	53,446
Employee benefits expenses		
- salaries, bonuses and other short-term benefits	13,896,695	13,844,520
- contributions to defined contribution plan	1,059,020	936,021

Employee benefits expenses include the amounts shown as key management personnel's remuneration in Note 35 to the financial statements.

29. Income tax expense/(credit)

	Group	
	2016	2015
	$	$
Current income tax		
- current financial year	1,024,975	27,206
- over provision in prior financial years	(177,867)	(49,086)
	847,108	(21,880)
Deferred tax		
- current financial year	(124,089)	(17,000)
- over provision in prior financial years	(3,259)	–
	(127,348)	(17,000)
Total income tax expense/(credit)	719,760	(38,880)

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% to profit before income tax as a result of the following differences:

Reconciliation of effective income tax rate

	Group	
	2016	2015
	$	$
Profit before income tax	7,329,322	794,233
Income tax calculated at statutory tax rate of 17% (2015: 17%)	1,245,985	135,020
Different tax rates in other countries	26,491	(460,066)
Enhanced Productivity and Innovation Credit	(304,852)	(52,268)
Income not subject to tax	(12,085)	(46,377)
Expenses not deductible for income tax purposes	395,669	490,953
Corporate income tax rebate	(50,591)	–
Singapore statutory stepped income exemption	(88,168)	–
Utilisation of deferred tax assets not recognised	(485,000)	(374,000)
Deferred tax assets not recognised	173,000	310,000
Over provision of current income tax in prior years	(177,867)	(49,086)
Over provision of deferred tax in prior years	(3,259)	–
Others	437	6,944
	719,760	(38,880)

29. Income tax expense/(credit) (Continued)

Unrecognised deferred tax assets

Deferred tax assets not recognised in respect of the following temporary differences:

	Group	
	2016	**2015**
	$	**$**
Property, plant and equipment	–	19,000
Unabsorbed capital allowances	170,000	179,000
Unutilised tax losses	466,000	782,000
Provisions	86,000	54,000
	722,000	1,034,000

The Group has unabsorbed capital allowances and unutilised tax losses amounting to approximately $1,003,000 (2015: $1,054,000) and $2,740,000 (2015: $4,600,000) respectively, which are subject to agreement with the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the Company and its subsidiaries operate.

Deferred tax assets relating to certain subsidiaries have not been recognised as there is no certainty that there will be sufficient future taxable profits to realise these future benefits. Accordingly, the deferred tax assets have not been recognised in the financial statements in accordance with the accounting policy in Note 2.18 to the financial statements.

Included in unutilised tax losses are the following tax losses of Cityneon Vietnam Company Limited which are available for offset against future taxable income for a period of 5 years from the year incurred:

Year incurred	**Year of expiry**	**2016**	**2015**
		$	**$**
2012	2017	155,191	155,191
2013	2018	10,922	10,922
2014	2019	473,496	473,496
2015	2020	561,379	561,379
2016	2021	750,095	–
		1,951,083	1,200,988

30. Earnings per share

Basic earnings per share are calculated by dividing the profit for the year attributable to the owners of the parent by the weighted average number of ordinary shares in issue of 235,955,439 (2015: 123,907,154) during the financial year.

Diluted earnings per share amount is calculated by dividing the profit for the year attributable to the owners of the parent by the number of ordinary shares during the financial year plus the weighted average number of shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

30. Earnings per share (Continued)

The calculation for earnings per share of the Group is based on the following data:

	2016 $	2015 $
Profit for the year attributable to owners of the parent	6,680,888	871,273
Weighted average number of ordinary shares for basic earnings per share computation	235,955,439	123,907,154
Weighted average number of ordinary shares for diluted earnings per share computation	235,981,498	123,907,154
Basic earnings per share (cents)	2.83	0.70
Diluted earnings per share (cents)	2.83	0.70

31. Operating lease commitments

Future minimum rental payable under non-cancellable operating leases (excluding contingent rentals) at the end of the reporting period are as follows:

	Group		Company	
	2016 $	2015 $	2016 $	2015 $
Not later than one year	6,362,724	3,265,287	515,923	698,731
Later than one year and not later than five years	22,424,521	21,315,513	–	533,586
More than five years	24,130,785	29,150,592	–	–
	52,918,030	53,731,392	515,923	1,232,317

The Group had lease commitments in respect of office premise, exhibitions venue, staff accommodation, office equipment and other operating facilities. Leases are negotiated for an average tenure of one to ten years (2015: one to ten years) and provide for contingent rentals based on number of exhibition ticket sold.

32. Dividend

	Group and Company	
	2016 $	2015 $
Final tax-exempt dividend of $Nil (2015: $0.01) per ordinary shares in respect of previous financial year	–	885,254

The Company did not recommend any dividend in respect of the financial year ended 31 December 2016.

33. Capital commitments

As at the end of the financial year, commitments in respect of capital expenditure are as follows:

	Group	
	2016	2015
	$	$
Capital expenditure contracted but not provided for		
- Commitments for the acquisition of property, plant and equipment	991,433	1,826,593

34. Contingent liabilities

The Group has given tender bonds and performance guarantees through banks to its landlord for office rental deposit amounting to $797,000 (2015: $797,000) and to its customers and suppliers for the tender of projects, guarantee on performance and usage of exhibition venues amounting to $15,532,000 (2015: $15,783,000) respectively. Certain tender bonds and performance guarantees are secured by cash collaterals amounting to $41,000 (2015: $122,000). In the opinion of the management, no losses are expected to arise pertaining to the aforesaid tender bonds and performance guarantees.

The Company has given corporate guarantees to certain banks in respect of banking facilities granted to certain subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiary fails to make principal or interest payments when due in accordance with the terms of the facilities drawn. As at 31 December 2016, the total banking facilities granted to certain subsidiaries amounted to approximately $28,122,000 (2015: $12,493,000) and the amount utilised by certain subsidiaries amounted to approximately $17,605,000 (2015: $4,721,000). The earliest period that the guarantee could be called is within 1 year (2015: 1 year) from the end of the reporting period. These financial guarantees have not been recognised in the financial statements of the Company as the requirements to reimburse are remote.

35. Significant related party transactions

During the year, in addition to those disclosed elsewhere in these financial statements, the Group entered into the following transactions with related parties at rates and terms agreed between the parties:

	Group	
	2016	2015
	$	$
With ultimate holding company		
- interest expense	133,000	133,000
- services rendered to	11,307	170,351
With related parties		
- payment of contingent consideration (Note 24)	2,641,201	–
- services rendered to	–	55,043

In the current financial year, related party transactions are with Philadelphia Investment Ltd, of which Mr Tan Aik Ti, Ron, Director of the Company, has beneficial interests.

In the previous financial year, related party transactions are with Cityneon Philippine Inc., of which Mr Ko Chee Wah and Mr Lim Poh Hock, former Directors of the Company, have beneficial interests.

35. Significant related party transactions (Continued)

Compensation of key management personnel

The remuneration of key management personnel of the Group and of the Company during the financial year are as follows:

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Directors' fees	295,931	251,467	281,776	229,008
Short-term benefits	3,522,549	3,546,209	15,000	-
Contributions to defined contribution plan	76,906	54,549	-	-
Salary in lieu of notice	178,000	-	-	-
	4,073,386	3,852,225	296,776	229,008
Analysed into:				
Directors of the Company	1,484,549	950,299	296,776	229,008
Directors of subsidiaries	1,365,298	1,805,876	-	-
Other key management personnel	1,223,539	1,096,050	-	-
	4,073,386	3,852,225	296,776	229,008

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

36. Segment information

For management purposes, the Group is organised into business units based on the nature of services the Group operates in and has five (2015: five) reportable operating segments as follows:

Experiential Environment

Operations in experiential environment comprise architectural facades, scenic fabrication, sculptures, scaled models, wall reliefs and murals, replicas, show sets and props, artistic painting, landscaping to theme park and attractions, expositions, museums and galleries.

Interior architecture

Operations in the interior architecture comprise conceptualise, design and interior fitting-out services to commercial properties, healthcare, hospitality services industry, show rooms and retail outlets.

Exhibitions

Operations in the exhibitions comprise design, fabrication, installation and project management of customised exhibition booths and pavilions, rental of re-usable exhibition booths, pavilion modules, furniture and furnishings and the provision of ancillary services in electrical services and environmental graphics, owners and exhibitors.

Events

Operations in the events either assist in creating, developing, organising, hosting and managing events as a supporting service in collaboration with customers or on a turnkey basis where they undertake full responsibility of every aspect of the events from conceptualising the theme to execution and rolling-out.

36. Segment information (Continued)

Intellectual property rights

The Intellectual Property rights ("IP") segment focuses on delivering engaging and interactive experiences for the global markets. The in-house creative team produces innovative and captivating contents for audiences of all ages and distributes into global territories. The IP currently being created and marketed by this segment include the globally renowned AVENGERS brand under Marvel Characters B.V. and TRANSFORMERS brand under HASBRO International, Inc..

Management monitors the operating results of the segments separately for the purpose of making decisions about resources to be allocated and of assessing performance.

Income taxes are managed on a Group basis.

The accounting policies of the operating segments are the same of those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operations before tax expense not including non-recurring gains and losses.

The Group accounts for intersegment sales and transfer as if the sales or transfers were to third parties, which approximate market prices. These intersegment transactions are eliminated on consolidation.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate headquarter assets, liabilities and expenses which are not directly attributable to a particular reportable segment.

Segment assets consist primarily of property, plant and equipment, inventories, amounts due from contract customers, trade and other receivables, deposits and prepayments and cash and cash equivalents. Segment liabilities comprise primarily of amounts due to contract customers, bank borrowings and trade and other payables.

Segment additions to non-current assets is the total cost incurred during the financial year to acquire segment assets that are expected to be used for more than one year.

36. Segment information (Continued)

	Experiential environment	Interior architecture	Exhibitions	Events	Intellectual property rights	Elimination	Consolidated
	$	$	$	$	$	$	$
2016							
Revenue							
Revenue from external customers	18,758,977	22,315,751	29,661,798	8,355,121	17,659,964	–	96,751,611
Inter-segment revenue	4,992,914	770,507	3,036,521	–	33,892	(8,833,834)	–
	23,751,891	23,086,258	32,698,319	8,355,121	17,693,856	(8,833,834)	96,751,611
Results							
Segment results	2,051,213	438,630	2,410,686	(35,534)	7,044,315	–	11,909,310
Unallocated expenses, net							(3,885,480)
Share of results of associate, net of tax							(115,838)
Interest income							62,620
Finance costs							(641,290)
Profit before income tax							7,329,322
Income tax expense							(719,760)
Profit after income tax but before non-controlling interests							6,609,562
Non-controlling interests							71,326
Profit attributable to owners of the parent							6,680,888

36. Segment information (Continued)

	Experiential environment $	Interior architecture $	Exhibitions $	Events $	Intellectual property rights $	Elimination $	Consolidated $
2015							
Revenue							
Revenue from external customers	21,729,555	18,317,714	27,106,437	28,647,529	687,050	–	96,488,285
Inter-segment revenue	1,311,871	47,447	2,233,406	–	–	(3,592,724)	–
	23,041,426	18,365,161	29,339,843	28,647,529	687,050	(3,592,724)	96,488,285
Results							
Segment results	1,082,797	(1,330,196)	3,205,886	3,029,868	(210,076)	–	5,778,279
Unallocated expenses, net							(4,631,694)
Share of results of associate, net of tax							15,784
Interest income							43,141
Finance costs							(411,277)
Profit before income tax							794,233
Income tax credit							38,880
Profit after income tax but before non-controlling interests							833,113
Non-controlling interests							38,160
Profit attributable to owners of the parent							871,273

36. Segment information (Continued)

	2016 $	2015 $
Additions to property, plant and equipment and intangible assets		
Experiential environment	65,777	–
Interior architecture	373,055	159,371
Exhibitions	1,384,599	1,740,429
Events	330,796	58,764
Intellectual property rights	27,431,835	13,257,973
Unallocated	995,905	7,049,097
	30,581,967	22,265,634
Depreciation of property, plant and equipment		
Experiential environment	16,710	–
Interior architecture	199,891	124,665
Exhibitions	512,484	437,440
Events	177,069	237,633
Intellectual property rights	2,649,002	276,714
Unallocated	–	205,670
	3,555,156	1,282,122
Non-cash expenses other than depreciation and allowance for impairment loss on receivables – trade and non-trade		
Exhibitions – property, plant and equipment written off	5,616	53,446
Intellectual property rights – amortisation expense	127,397	–
Unallocated – amortisation expense	759,484	189,871
	892,497	243,317
Allowance for impairment loss on receivables – trade and non-trade		
Experiential environment	42,414	–
Interior architecture	152,447	–
Exhibitions	49,112	80,027
	243,973	80,027
Segment assets		
Experiential environment	15,132,911	8,982,828
Interior architecture	13,650,835	8,925,740
Exhibitions	25,534,386	30,740,209
Events	3,873,986	12,757,339
Intellectual property rights	51,640,781	16,623,584
Unallocated	10,190,503	9,533,181
Consolidated total assets	120,023,402	87,562,881

36. **Segment information** (Continued)

	2016 $	2015 $
Segment liabilities		
Experiential environment	6,748,805	3,505,092
Interior architecture	7,279,861	6,183,477
Exhibitions	5,634,511	7,296,409
Events	1,601,972	8,071,525
Intellectual property rights	18,611,006	316,511
Unallocated	10,538,118	12,171,741
Consolidated total liabilities	50,414,273	37,544,755

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	2016 $	2015 $
Revenue from external customers		
Singapore	26,314,031	43,359,513
China	17,862,009	9,413,279
United States of America and other European Countries	15,280,366	6,983,323
Brunei	10,909,749	415,853
Middle East countries	9,819,964	20,805,805
India	7,189,290	411,902
Vietnam	3,733,311	217,416
Malaysia	3,088,535	13,156,779
Other Asia Pacific countries	2,554,356	1,724,415
	96,751,611	96,488,285
Location of non-current assets		
Singapore	10,177,927	11,333,481
United States of America	26,834,112	12,961,892
Malaysia	1,715,165	1,495,613
Middle East countries	1,324,645	1,334,224
India	55,569	–
China	6,669	12,056
Brunei	5,707	5,434
Vietnam	4,909	4,025
	40,124,703	27,146,725

Non-current assets information presented above consist of property, plant and equipment, goodwill, other intangible assets, investment in associate and prepayments and exclude licenced interactive exhibition travelling sets.

Major customers

Revenue of approximately 22% (2015: 35%) is derived from two (2015: three) external customers, which is attributable to the events and experiential environment and interior architecture segments (2015: events and experiential environment segments).

37. Financial risk management

The Group's activities expose it to market risks (including interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management then establishes the detailed policies such as authority levels, oversight responsibilities, exposure limit, risk identification and measurement, in accordance with the objectives and underlying principles approved by the Board of Directors.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis as indicated below.

37.1 Interest rate risk

The Group's and the Company's exposure to market risk for changes in interest rates relates primarily to bank borrowings. The Group and the Company maintain an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and short term borrowings.

In respect of variable interest-bearing financial liabilities, the following table indicates their effective interest rate at the end of the financial year and the periods in which they reprice or mature, whichever is earlier.

	Note	Effective interest rate %	Total $'000	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000
Group						
2016						
Financial liabilities						
Bank borrowings	21	1.93 to 5.92	(24,717)	(24,717)	–	–
2015						
Financial liabilities						
Bank borrowings	21	2.39 to 6.56	(8,196)	(8,196)	–	–

37. Financial risk management (Continued)

37.1 Interest rate risk (Continued)

	Note	Effective interest rate %	Total $'000	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000
Company						
2016						
Financial liabilities						
Bank borrowings	21	1.93 to 4.00	(5,490)	(5,490)	–	–
2015						
Financial liabilities						
Bank borrowings	21	2.42 to 3.02	(4,500)	(4,500)	–	–

<u>Interest rate sensitivity analysis</u>

The sensitivity analysis below has been determined based on the exposure to interest rate risks for variable interest-bearing financial liabilities as at the end of the financial year. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the financial year was outstanding for the whole year. The sensitivity analysis assumes an instantaneous 0.5% (2015: 0.5%) change in the interest rates from the end of the financial year, with all variables held constant.

	Increase/(Decrease) Profit or loss 2016 $'000	2015 $'000
Group		
Interest rate		
- decrease by 0.5% per annum	124	41
- increase by 0.5% per annum	(124)	(41)
Company		
Interest rate		
- decrease by 0.5% per annum	27	23
- increase by 0.5% per annum	(27)	(23)

37.2 Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk arises from transactions denominated in currency other than the functional currency of the entities within the Group and the Company. The currencies that give rise to this risk are primarily United States Dollar, Omani Rial and Qatari Rial.

37. Financial risk management (Continued)

37.2 Foreign currency risk (Continued)

During the financial year, the Group and the Company do not engage in hedging activities as the management is of the opinion that the net exposure to the foreign currency risks is not significant. Instead, the Group and the Company manages foreign currency risks by close monitoring of the timing of inception and settlement of the foreign currency transactions.

The Group and the Company do not hold or issue derivative financial instruments for trading purposes.

At the end of the financial year, the carrying amounts of monetary assets and monetary liabilities denominated in foreign currencies are disclosed in the respective notes to the financial statements.

Foreign currency sensitivity analysis

A 10% strengthening of foreign currencies against the functional currencies of the Company and its subsidiaries at the reporting date would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group Profit or loss $'000	Company Profit or loss $'000
31 December 2016		
United States Dollar	940	449
Omani Rial	145	–
Qatari Rial	266	–
31 December 2015		
United States Dollar	910	271
Omani Rial	783	–
Qatari Rial	71	–

A 10% weakening of foreign currencies against the functional currencies of the Company and its subsidiaries would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

37.3 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history and obtaining sufficient deposits ranging from 30% to 50% (2015: 30% to 50%) of the contract price for majority of the projects contracted, where appropriate, to mitigate credit risk. The credit risk and amount outstanding is monitored on an ongoing basis. The top 5 customers of the Group accounted for more than 44% (2015: 40%) of the total trade receivables amount.

The Company has no concentration of credit risk other than the amounts owing by subsidiaries.

The Group's and the Company's major classes of financial assets are bank deposits, amounts due from contract customers, trade receivables and amounts owing by subsidiaries.

37. Financial risk management (Continued)

37.3 Credit risk (Continued)

The credit risk for trade receivables is as follows:

	Group	
	2016	2015
	$'000	$'000
By geographical areas		
Singapore	4,893	2,978
China	3,866	1,484
Middle East countries	2,938	4,207
Malaysia	2,611	2,887
Other Asia Pacific countries	833	714
United States of America/Europe/Others	2,943	142
	18,084	12,412

(i) Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

Cash and cash equivalents are placed with financial institutions with high credit ratings.

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due is as follows:

	Gross receivables	Impairment	Gross receivables	Impairment
	2016	2016	2015	2015
	$'000	$'000	$'000	$'000
Group				
Past due 1 to 90 days	12,207	–	6,900	–
Past due over 90 days	4,836	788	5,266	531
	17,043	788	12,166	531

37.4 Liquidity risk

Liquidity risk refers to the risk in which the Group encounters difficulties in meeting its short-term obligations. Liquidity risk is managed by matching the payment and receipt cycle.

The Group's and the Company's liquidity risk is minimal as the Group and the Company maintain sufficient cash and cash equivalents. The Group and the Company are also financed by bank borrowings and loan from ultimate holding company.

37. Financial risk management (Continued)

37.4 Liquidity risk (Continued)

In addition, the Group maintains $69.3 (2015: $53.8) million of credit facilities which includes the following:

(i) loan facilities which are secured by corporate guarantee from the Company, ultimate holding company and certain subsidiaries;

(ii) other credit facilities for issuance of irrevocable letters of credit, performance bonds, retention bonds, tender bonds, shipping guarantee, and import loans; and

(iii) overdraft facility which is unsecured and with floating interest rates per annum.

The Group also monitors its gearing closely. Details of its gearing are set out in Note 38.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of financial year based on contractual undiscounted payments:

	2016				2015			
	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
Group								
Financial liabilities								
Non-interest bearing								
Trade and other payables	13,998	–	–	13,998	19,722	–	–	19,722
Contingent consideration at FVTPL	–	–	–	–	2,016	–	–	2,016
Amounts owing to ultimate holding company	2	–	–	2	6	–	–	6
Amounts owing to related parties	–	–	–	–	22	–	–	22
Fixed-interest bearing								
Loan from ultimate holding company	3,633	–	–	3,633	3,633	–	–	3,633
Finance lease obligations	26	40	–	66	84	179	–	263
Variable-interest bearing								
Bank borrowings	24,893	–	–	24,893	8,239	–	–	8,239
	42,552	40	–	42,592	33,722	179	–	33,901
Company								
Financial liabilities								
Non-interest bearing								
Trade and other payables	426	–	–	426	2,475	–	–	2,475
Amounts owing to subsidiaries	5,382	–	–	5,382	2,737	–	–	2,737
Fixed-interest bearing								
Loan from ultimate holding company	3,633	–	–	3,633	3,633	–	–	3,633
Variable-interest bearing								
Bank borrowings	5,502	–	–	5,502	4,513	–	–	4,513
	14,943	–	–	14,943	13,358	–	–	13,358

38. Capital management policies and objectives

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital and reserves as disclosed in Notes 16 and 17 to the financial statements respectively. In order to maintain or achieve an optimal capital structure, the Group may issue new shares, adjust the amount of dividend payment, return capital to shareholders, obtain new borrowings or sell assets to reduce borrowings. The Group's overall strategy remains unchanged from 2015.

Management monitors capital based on a gearing ratio. The gearing ratio, used to measure the extent of financial leverage of the Group, is derived by dividing interest bearing debts over total assets.

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Finance lease obligations	62	243	–	–
Bank borrowings	24,717	8,196	5,490	4,500
Loan from ultimate holding company	3,500	3,500	3,500	3,500
Total interest bearing debts	28,279	11,939	8,990	8,000
Total assets	120,023	87,563	66,179	51,771
Gearing ratio	24%	14%	14%	15%

As disclosed in Note 17 to the financial statements, a subsidiary of the Group is required by the Bahrain Commercial Companies Law 2001 ("Law") to contribute and maintain a statutory reserve. The statutory reserve is not normally distributable except in the circumstances stipulated in the Law.

The Group and the Company are in compliance with the above externally imposed capital requirements for the financial years ended 31 December 2016 and 2015.

39. Fair value of financial instruments

The Group categorised fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used in making the measurements as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - unobservable inputs for the asset or liability.

The classification of an item into above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfer of items between levels are recognised in the period they occur.

39. Fair value of financial instruments (Continued)

(a) *Fair value of financial instruments that are not carried at fair value*

Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair value due to their respective short term maturity.

(b) *Fair value of financial instruments that are carried at fair value*

The following table shows the information about fair value measurements using significant unobservable inputs:

Description	Valuation Techniques	Unobservable inputs	Range
Recurring fair value measurement			
Contingent consideration for business combination	Discounted cash flow	Probability of meeting contractual earnings target	10% - 90% (2015: 0% to 95%)

The fair value of contingent consideration falls under Level 3 of the fair value hierarchy. The fair value measurement for the contingent consideration is sensitive to changes in unobservable inputs, i.e. estimated probabilities, that may result in a significantly higher or lower fair value measurement. The higher the estimated probabilities the higher the fair value. The fair value of contingent consideration was based on an income approach using the probability-weighted payout approach discounted at 7.7%.

Valuation policies and procedures

Management of the Group oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts to perform the valuation. Management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 Fair Value Measurement guidance.

For valuations performed by external valuation experts, the management reviews the appropriateness of the valuation methodologies and assumptions adopted. The management also evaluates the appropriateness and reliability of the inputs used in the valuations.

40. Events subsequent to the reporting date

On 20 February 2017, the Company increased the paid-up capital of its wholly-owned subsidiary, Cityneon Vietnam Company Ltd by United States Dollar ("USD") USD520,000 (approximately $730,288), from USD380,000 (approximately $521,405) to USD900,000 (approximately $1,251,693).

ANALYSIS OF SHAREHOLDINGS

As at 23 March 2017

NO. OF SHARES ISSUED	:	244,656,195
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS	:	1 VOTE PER SHARE

The Company does not have any treasury shares.

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	2	0.19	3	0.00
100 - 1000	79	7.46	56,400	0.02
1,001 - 10,000	552	52.12	3,507,100	1.44
10,001 - 1,000,000	415	39.19	22,804,779	9.32
1,000,001 & ABOVE	11	1.04	218,287,913	89.22
TOTAL	1,059	100.00	244,656,195	100.00

TOP TWENTY SHAREHOLDERS	NO. OF SHARES	%
LAVIANI PTE. LTD.	128,458,590	52.51
DBS NOMINEES PTE LTD	26,993,926	11.03
CITIBANK NOMINEES SINGAPORE PTE LTD	23,393,900	9.56
UOB KAY HIAN PTE LTD	15,626,800	6.39
HSBC (SINGAPORE) NOMINEES PTE LTD	10,155,100	4.15
STF INVESTMENTS LTD	4,709,800	1.92
RAFFLES NOMINEES (PTE) LTD	2,830,300	1.16
DB NOMINEES (S) PTE LTD	2,398,636	0.98
DBSN SERVICES PTE LTD	1,350,000	0.55
MAYBANK KIM ENG SECURITIES PTE LTD	1,333,900	0.55
CIMB SECURITIES (SINGAPORE) PTE LTD	1,036,961	0.42
WONG BARK CHUAN DAVID	878,900	0.36
NG KOON KENG	710,000	0.29
VSTL INVESTMENT LTD	710,000	0.29
PHILLIP SECURITIES PTE LTD	679,200	0.28
BAY LEE CHUANG	600,000	0.24
OCBC SECURITIES PRIVATE LTD	487,500	0.20
LIM SER HENG	480,000	0.20
BNP PARIBAS SECURITIES SERVICES	471,800	0.19
UNITED OVERSEAS BANK NOMINEES PTE LTD	417,200	0.17
	223,722,513	91.44

Based on the information available to the Company as at 23 March 2017, approximately 31.14% of the issued shares of the Company is held in the hands of the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited has been complied with.

SUBSTANTIAL SHAREHOLDERS

As at 23 March 2017

	No. of Ordinary Shares			
Name	**Direct Interest**	**%**	**Deemed Interest**	**%**
Lavaiani Pte. Ltd.	128,458,590	52.51	–	–
Tan Aik Ti, Ron [1]	–	–	40,000,000	16.35
Star Media Group Berhad [2]	–	–	128,458,590	52.51
Malaysian Chinese Association [3]	–	–	128,458,590	52.51
Philadelphia Investments Ltd [4]	14,000,000	5.72	–	–
IGV 33 Investments Ltd [5]	26,000,000	10.63	–	–

Note:

1. Mr Tan Aik Ti, Ron is deemed to be interested in 14,000,000 Shares and 26,000,000 Shares held by Philadelphia Investments Ltd and IGV 33 Investments Ltd respectively by virtue of his 100% shareholding in Philadelphia Investments Ltd and IGV 33 Investments Ltd

2. Star Media Group Berhad is deemed to be interested in 128,458,590 Shares held by Laviani Pte. Ltd. by virtue of its 100% shareholding in Laviani Pte. Ltd.

3. Malaysian Chinese Association is deemed to be interested in 128,458,590 Shares held by Laviani Pte. Ltd. by virtue of its 42.46% interest (direct and deemed) in Star Media Group Berhad which, in turn, holds 100% of Laviani Pte. Ltd.

4. Philadelphia Investments Ltd’s 14,000,000 shares are registered in the name of Citibank Nominees Singapore Pte Ltd.

5. IGV33 Investments Ltd’s 26,000,000 shares are registered in the name of Citibank Nominees Singapore Pte Ltd and DBS Nominees Pte Ltd.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Cityneon Holdings Limited (the "Company") will be held at 84 Genting Lane, #06-01 Cityneon Design Centre, Singapore 349584 on Monday, 24 April 2017 at 11.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect Mr Tang Nai Soon as a Director of the Company, retiring pursuant to Article 104 of the Company's Constitution.

   [See explanatory Note (i)] **(Resolution 2)**

3. To re-elect the following Directors of the Company, retiring pursuant to Article 108 of the Company's Constitution:

   (a) Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan **(Resolution 3)**
   (b) Dato' Lee Yeow Chor @ Lee Yew Meng **(Resolution 4)**
   (c) Mr Ng Fook Ai Victor **(Resolution 5)**
   [See explanatory Note (ii)]

4. To approve the payment of Directors' fees of $281,776/- for the year ended 31 December 2016 (2015: $229,008/-). **(Resolution 6)**

5. To re-appoint BDO LLP as the Auditors of the Company 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:

8. **Authority to issue shares**

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

   (a) (i) issue shares in 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 may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments 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) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) 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 that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) 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 any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; 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 for the time being in force (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 earlier.

[See Explanatory Note (iii)] **(Resolution 8)**

9. **Authority to issue shares under the Cityneon Employee Share Option Scheme**

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant options under the prevailing Cityneon Employee Share Option Scheme ("the Scheme") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme and any other share schemes (if applicable) shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, 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 earlier.

[See Explanatory Note (iv)] **(Resolution 9)**

10. **Renewal of Shareholders' Mandate for Interested Person Transactions**

That for the purposes of Chapter 9 of the Listing Manual of the SGX-ST:

(a) approval be given for the renewal of the mandate for the Company, its subsidiaries and associated companies or any of them to enter into any of the transactions falling within the types of Interested Person Transactions as set out in the Appendix to the Annual Report dated 6 April 2017 (the "Appendix") with any party who is of the class of Interested Persons described in the Appendix, provided that such transactions are carried out on normal commercial terms and in accordance with the review procedures of the Company for such Interested Person Transactions as set out in the Appendix (the "IPT Mandate");

(b) the IPT Mandate shall, unless revoked or varied by the Company in a general meeting, 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 earlier; and

(c) authority be given to the Directors of the Company to complete and do all such acts and things (including executing all such documents as may be required) as they may consider necessary, desirable or expedient to give effect to the IPT Mandate as they may think fit.

[See Explanatory Note (v)] **(Resolution 10)**

By Order of the Board

Cho Form Po
Company Secretary
Singapore
6 April 2017

Explanatory Notes:

(i) Mr Tang Nai Soon will, upon re-election as a Director of the Company, remain as a Chairman of the Remuneration Committee and member of the Nominating Committee and will be considered independent.

(ii) Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan will, upon re-election as a Director of the Company, remain as members of the Audit and Remuneration Committees and will be considered non-independent.

Dato' Lee Yeow Chor @ Lee Yew Meng will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and will be considered independent.

Mr Ng Fook Ai Victor will, upon re-election as a Director of the Company, remain as a Lead Independent Director and Chairman of the Audit Committee and will be considered independent.

(iii) The Ordinary Resolution 8, if passed, will empower the Directors of the Company, effective 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 or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, 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, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) 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.

(iv) The Ordinary Resolution 9, if passed, will empower the Directors of the Company, from the date of this Meeting 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 or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in total (for the entire duration of the Scheme) 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time, and the aggregate number of ordinary shares which may be issued pursuant to the Scheme and any other share based schemes (if applicable) shall not exceed 15% of the total issued share capital of the Company (excluding treasury shares), from time to time.

(v) The Ordinary Resolution 10, if passed, will authorise the Interested Person Transactions as described in the Appendix and recurring in the year and will empower the Directors of the Company to do all acts necessary to give effect to the IPT Mandate. This authority will, unless previously revoked or varied by the Company in a general meeting, expire at 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.

Notes

1. (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "Meeting").

   (b) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 84 Genting Lane, #06-01 Cityneon Design Centre, Singapore 349584 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 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 representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including 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 the 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.

CITYNEON HOLDINGS LIMITED
Company Registration No. 199903628E
(Incorporated In The Republic of Singapore)

IMPORTANT:
1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM
(Please see notes overleaf before completing this Form)

I/We, ______________________________

of ______________________________

being a member/members of CITYNEON HOLDINGS LIMITED (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Annual General Meeting (the "Meeting") as my/our proxy/proxies to vote for me/us on my/our behalf at the Meeting of the Company to be held on Monday, 24 April 2017 at 11.00 a.m. at 84 Genting Lane, #06-01 Cityneon Design Centre, Singapore 349584 and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

No.	Resolutions relating to:	Number of Votes For(1)	Number of Votes Against(1)
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2016.		
2	Re-election of Mr Tang Nai Soon as a Director.		
3	Re-election of Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan as a Director.		
4	Re-election of Dato' Lee Yeow Chor @ Lee Yew Meng as a Director.		
5	Re-election of Mr Ng Fook Ai Victor as a Director.		
6	Approval of Directors' fees amounting to $281,776 for the year ended 31 December 2016.		
7	Re-appointment of BDO LLP as Auditors.		
8	Authority to issue new shares		
9	Authority to issue shares under the Cityneon Employee Share Option Scheme.		
10	Renewal of Shareholders' Mandate for Interested Person Transactions		

(1) 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.

Dated this ________ day of __________________ 2017

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

Notes :

1. 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 Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, 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, 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. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company, who is not a relevant intermediary, entitled to attend and vote at a Meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A member who is a relevant intermediary entitled to attend the Meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each 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 number of Shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licenced under the Banking Act (Cap. 19) 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) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), 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.

5. Completion and return of this instrument appointing a proxy 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 instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 84 Genting Lane, #06-01 Cityneon Design Centre, Singapore 349584 not less than 48 hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. 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, Chapter 50 of Singapore.

PERSONAL DATA PRIVACY:
By 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 the Meeting dated 6 April 2017.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or 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 lodged if the member, being the appointor, is not shown to have Shares entered against his 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.

CITYNEON HOLDINGS LIMITED

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