Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Kingsmen Creatives Ltd

Stock code: 5MZ

Meeting details:
Date: 14 May 2020
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. The tagline for the company's annual reports in the past three years focused on change and opportunities, as follows:

- 2017: Investing for the future: We are in the era of change… We will evolve and explore new frontiers to ensure sustainable success for us and our partners.

- 2018: Building momentum: Pushing boundaries and seizing opportunities, we focus on transforming our business to remain relevant in a changing and competitive market environment…

- 2019: New waves of change: A new frontier of innovation has dramatically transformed the market environment we operate in. As we continue this journey of transformation, we will leverage on our expertise and remain nimble to capitalise on opportunities. We will ride on the momentum built over the years and continue to deliver value as we push toward a more resilient and focused future.

	FY2015	FY2016	FY2017	FY2018	**FY2019**
FOR THE YEAR (S$'000)					
Revenue	327,903	329,707	307,254	360,928	**365,922**
Gross profit	83,677	83,447	77,198	82,037	**77,256**
Profit before tax	21,641	14,350	10,168	11,100	**2,174**
Profit net of tax attributable to equity holders of the Company	19,068	11,896	9,741	8,154	**518**

(Source: company annual report)

Even before the pandemic drastically affected the global economy in 2020, the group's profitability continued to slip in FY2019. Net profit was $518,000, or a net profit margin of 0.1%.

Given the measures put in place to reduce the spread of COVID-19, it is likely that the group's core activities will be severely affected in FY2020.

(i) **Would it be opportune for the board to carry out a strategic review to assess if the group's core competencies and business model (including profitability, scale and growth trajectory) could be sustained in the long term?** Even as the board/management is cognisant of the need to adapt to changes in the marketplace, there are strong headwinds in the market, such as changes in consumer behaviour, technological and structural shifts to the demand for retail and commercial spaces.

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Q2. As disclosed in Note 5 (page 78 – Segment information), the "Exhibitions and Thematic" segment has been expanded to include the attractions business. The segment is now known as "Exhibitions, Thematic and Attractions".

As mentioned in the chairman's message, the group has launched "three branded experiential attractions that target a new customer segment" (page 5). The business model of the experiential attractions (being the operator) is very different to that of the exhibitions and thematic operations.

Based on the Singapore Financial Reporting Standards (International) SFRS(I) 8 Operating Segments, operating segments may be aggregated if the segments are similar in each of the following aspects:

(a) the nature of the products and services;
(b) the nature of the production processes;
(c) the type or class of customer for their products and services;
(d) the methods used to distribute their products or provide their services; and
(e) if applicable, the nature of the regulatory environment, for example, banking, insurance or public utilities.

(i) **Would the company consider reporting the financial performance (and key operational metrics) of the new Attractions business on a standalone basis so that shareholders can better understand the progress made in this new business segment?**

Q3. The board currently comprises of eight directors, three of whom are independent. The members of the board are as follows:

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

(Source: Company annual report)

The profiles of the directors could be found on pages 8 and 9 of the annual report.

The company has stated that even though the chairman is part of the management team (thus a non-independent director), the board considers it not necessary to have independent directors make up at least half of the board based on the group's current size and operations.

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This is a deviation from Provision 2.2 of the Code of Corporate Governance 2018 that states that independent directors make up a majority of the board where the chairman is not independent.

Pursuant to Rule 710 of the SGX Listing Manual, where there are variations from the Provisions of the CG Code, the issuer must provide the provision from which it has varied, explain the reason for variation, and explain how the practices it had adopted are consistent with the intent of the relevant principle.

(i) **Would the board, especially the independent directors, help shareholders understand why it is "not necessary" to have independent directors make up at least half of the board as stated in Provision 2.2? For the benefit of shareholders, under what circumstances would it be deemed "necessary" by the board?**

(ii) **In addition, would the board be reviewing if it has met the requirements of Rule 710, especially on elaborating in greater detail how the current practices are consistent with the intent of the relevant principle?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

Join our mailing list here to receive latest news and upcoming events.

CONNECT WITH US

^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)