mm2 Asia Ltd.

MEDIA AND CONTENT FOR ASIA

ANNUAL REPORT 2017

CONTENTS

CORPORATE PROFILE

mm2 Asia Ltd. ("mm2 Asia", the "Company", or collectively with its subsidiaries, the "Group") is Asia's leading media and content company. Founded in 2008 and headquartered in Singapore, the Group has representative offices in Malaysia, Hong Kong, Taiwan, China and the United States of America ("US") through our Group companies and strategic working partnerships.

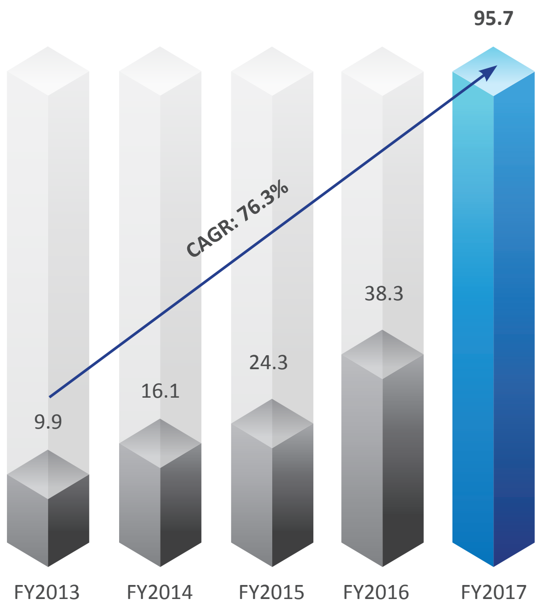
Listed on the Catalist Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") (SGX Stock Code 1B0), mm2 Asia has since expanded its businesses through multiple acquisitions. The Group's primary business activities are:

1. Content Production, Distribution and Sponsorship
2. Post-production
3. Cinema Operation
4. Event Production and Concert Promotion

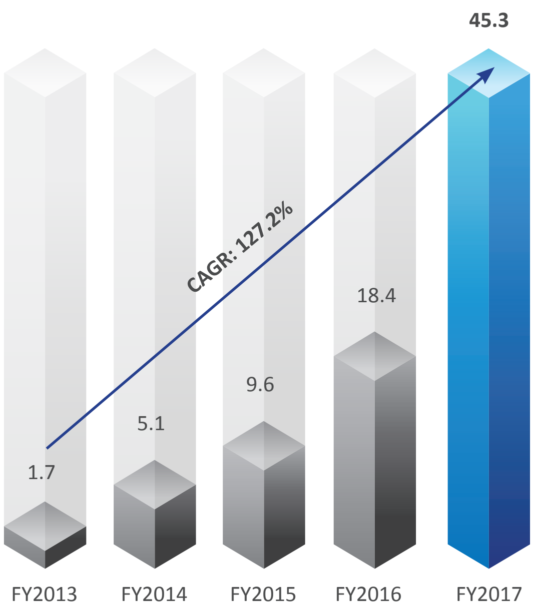
For more information, please visit **http://www.mm2asia.com.**

FINANCIAL HIGHLIGHTS

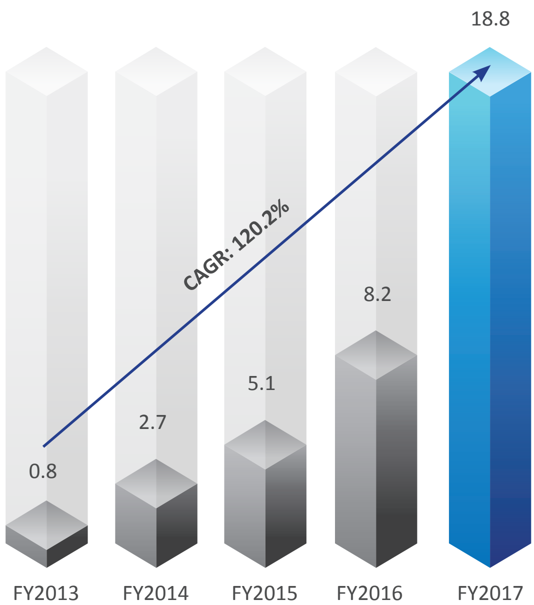
REVENUE (SGD million)



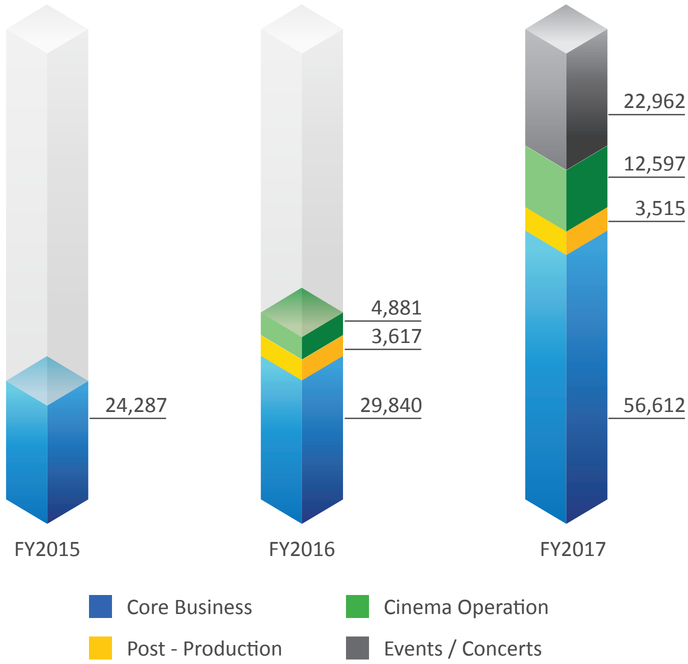
GROSS PROFIT (SGD million)



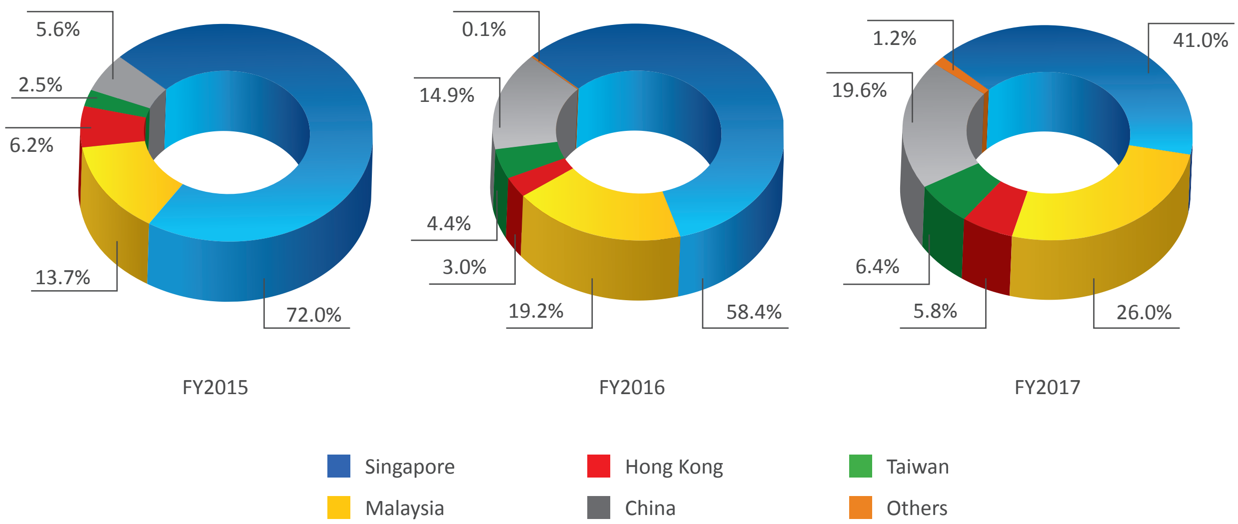
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS (SGD million)



REVENUE BREAKDOWN BY BUSINESS SEGMENTS (S$'000)



REVENUE BREAKDOWN BY GEOGRAPHICAL LOCATIONS



OUR BUSINESS

CONTENT PRODUCTION, DISTRIBUTION AND SPONSORSHIP

The Group's core business lies in film, TV and online content production, distribution and sponsorship. As a producer, mm2 Asia provides services across the entire content value chain, allowing us to derive revenue from all relevant stages of the filmmaking process – from inception to exhibition.

Production Income
The Group derives production income from producer and consultancy fees, producer's bonuses, government subsidies, script development, exploitation of copyrights, pre-production, principal photography and other contributions.

Distribution Income
Distribution income is derived through the distribution of content produced by the Group or third parties across various platforms – cinemas, Pay TV, Free TV, online, DVD, airlines and others. For films mm2 Asia has a stake in, we are entitled to a percentage of net receipts from the films distributed across these platforms. The Group also receives commissions from script licensing and other post-release licensing agreements such as adaptation and sequel rights.

Sponsorship Income
The Group derives sponsorship income through offering advertisers content and platform solutions to promote their products and services.

POST-PRODUCTION

The Group also offers post production services through Vividthree Productions Pte Ltd ("Vividthree Productions"), a leading multi-award winning 3D animation, visual effects ("VFX"), computer generated imagery ("CGI") and post production studio in Singapore. Vividthree Productions caters to commercial, film and television content and has a global clientele of renowned directors and broadcasters across commercial, corporate and government sectors.

vividthree
the animation people

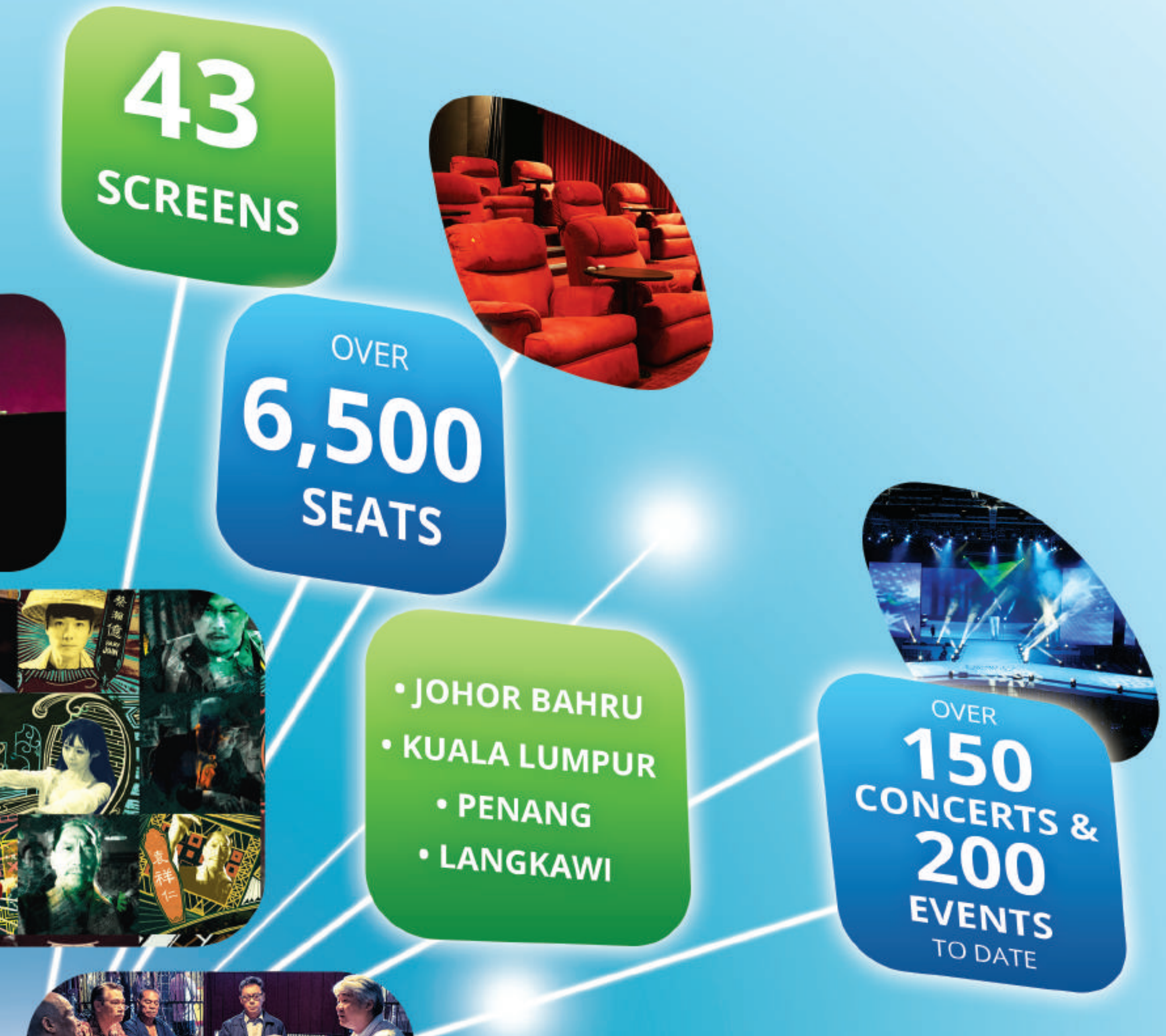
CINEMA OPERATION

mmCineplexes, the Group's cinema brand, is currently present in five locations in Malaysia – Johor Bahru, Kuala Lumpur, Bertam, Prai and Langkawi. The Group currently operates 43 screens with over 6,500 seats.

EVENT PRODUCTION AND CONCERT PROMOTION

In August 2016, the Group successfully completed the acquisition of a majority stake in UnUsUaL Limited[1] ("UnUsUaL"), a leading player in the live entertainment arena. UnUsUaL produces and promotes large-scale events and concerts for renowned international artistes, offering comprehensive creative and technical solutions for events and concerts in Singapore and the region.

[1] UnUsUaL Limited was listed on the SGX Catalist Board on 10 April 2017 and was formerly known as UnUsUaL Pte. Ltd.



A YEAR IN REVIEW

OPERATIONS REVIEW

FY2017 saw mm2 Asia's growth in three areas:

1. Event and Concert Business – New Source of Income
The acquisition of a majority stake in UnUsUaL has opened up a new revenue stream for the Group. The entrance into the live entertainment business has equipped the group with live production capabilities as well as wider resources and networks for our expansion as an entertainment group.

2. Expansion of Cinema Business
Building up the Group's cinema operations, we completed the acquisition of cinema businesses and assets from Mega Cinemas Management Sdn Bhd ("Mega Cinemas") in July 2016.

In November 2016, the Group signed a binding term sheet with Lotus Fivestar Cinemas (M) Sdn Bhd to acquire cinema businesses and assets in 13 locations in Malaysia. Upon completion, this strategic acquisition will significantly strengthen the Group's cinema business.

3. Growth in North Asia
Maintaining our focus on North Asia, revenue from North Asia contributed to 32% of the Group's total revenue, up from 22% in FY2016. We also embarked on new projects in these markets.

[1] Excluding private shows and events sold to third parties

CORPORATE MILESTONES

DATE	DESCRIPTION
December 2014	Listed on the SGX Catalist Board
April 2015	Completion of 51% stake acquisition in Vividthree Productions
June 2015	Issuance of S$2.875 million Convertible Bonds to Phillip Asia Pacific Opportunity Fund Ltd.
July 2015	Issuance of S$2.6 million with S$1.3 million greenshoe option Exchangeable Convertible Bonds to 3VS1 Asia Growth Fund 2 Ltd.
November 2015	Completion of acquisition of 2 cinemas' businesses and assets from Cathay Cineplexes Sdn Bhd
December 2015	Placement of S$5 million to three investors
	Completion of 70% stake acquisition in mm2View Pte Ltd ("mm2view")
February 2016	Completion of Share Split of 1 ordinary share to 2 ordinary shares
March 2016	Placement Agreement with StarHub Ltd ("StarHub") to acquire 9% stake in mm2 Asia for S$18 million
July 2016	Completion of acquisition of 3 cinemas' businesses and assets from Mega Cinemas
August 2016	Completion of 51% stake acquisition in UnUsUaL Pte. Ltd.[1]
	Recognised on Forbes as Asia's 200 Best under a Billion
October 2016	Completion of Share Split of 1 ordinary share to 2 ordinary shares
November 2016	Incorporation of subsidiary mm2 Entertainment USA, Inc in California, United States of America
	Binding term sheet with Lotus Fivestar Cinemas to aquire cinema businesses and assets in 13 locations in Malaysia
February 2017	Incorporation of subsidiary 满满哆文化传媒（上海）有限公司 mm2 International Pte Ltd in Shanghai, China
March 2017	Announced that The Voice, Talpa Global B.V.'s flagship format, will be co-produced by mm2 Entertainment Pte. Ltd., StarHub and Astro Malaysia Holdings Berhad for Singapore and Malaysia

[1] UnUsUaL Pte Ltd. is now known as UnUsUaL Limited.

OPERATING FINANCIAL REVIEW

REVENUE

The Group's revenue increased by S$57.4 million or 150%, from S$38.3 million in FY2016, to S$95.7 million in FY2017. The increase was mainly due to additional revenue generated from a newly acquired subsidiary corporation during the year, which recorded an increase of event production and concert promotion revenue of S$23.0 million, and additional revenue generated from the cinema business which recorded an increase of S$7.7 million. On top of that, the Group's core business revenue increased by S$26.8 million or 90%, from S$29.8 million in FY2016, to S$56.6 million in FY2017.

COST OF SALES

Cost of sales increased by S$30.5 million or 153%, from S$20.0 million in FY2016, to S$50.5 million in FY2017. The increase was mainly due to additional costs incurred by a newly acquired subsidiary corporation during the year which recorded event production and concert promotion costs of S$14.4 million, and additional S$3.0 million costs incurred by the cinema business during the year. On top of that, the cost of sales attributable to the Group's core business increased by S$12.3 million or 73%, from S$16.8 million in FY2016, to S$29.1 million in FY2017. Amortisation of film rights increased by S$4.7 million or 55% from FY2016 to FY2017.

GROSS PROFIT

The Group's gross profit increased by S$26.9 million or 146%, from S$18.4 million in FY2016, to S$45.3 million in FY2017. This was partly contributed by a newly acquired subsidiary corporation's gross profit of S$8.5 million, and from a new cinema business of S$7.6 million. On top of that, the gross profit of the Group's core business increased by S$14.4 million or 110%, from S$13.1 million in FY2016, to S$27.5 million in FY2017.

OTHER GAINS – NET

The foreign currency exchange translation gain from the fluctuations of other currencies against the Singapore dollar resulted in a gain of S$69,000 in FY2017. This was a S$148,000 decrease from the foreign currency exchange translation net gain of S$217,000 in FY2016. The waiver of non-trade debts due to directors of a newly acquired subsidiary corporation also contributed to a net gain of S$172,000 in FY2017. Other than that, property, plant and equipment written off incurred during the year was approximately S$23,000.

The disposal of an available-for-sale financial asset contributed a net gain of S$25,000 in FY2017 whereas the disposal of property, plant and equipment resulted in a net loss of S$1,000 in FY2017, compared to a net gain of S$19,000 in FY2016.

OTHER INCOME

The Group's other income increased by S$121,000 in FY2017, which was mainly contributed by the increase in government grants of S$58,000 and also the increase in miscellaneous income amounting to S$45,000.

Other than that, net interest income of the Group increased by S$18,000 in FY2017 mainly due to the fixed deposit pledged to the banks by the Group's cinema business and bank deposits of a newly acquired subsidiary corporation.

GENERAL AND ADMINISTRATIVE EXPENSES

Employee Compensation Costs
Employee compensation costs increased by S$5.6 million or 127%. The increase was mainly attributable to an increase in employee compensation cost amounting to S$2.5 million due to an increase in the number of senior management staff, as well as the increase in the number of other employees resulting from the expansion of the Group. Employee compensation cost also increased by S$1.2 million due to cinema operations and S$1.6 million due to the acquisition of a new subsidiary corporation in FY2017. Besides that, employee compensation costs for the Group's post production business increased by S$0.3 million due to the increase in administrative staff numbers.

PROFESSIONAL FEES

Other than employee compensation cost, general and administrative expenses also increased due to the increase in total professional fees of S$0.3 million or 23%. The increase was due to the non-recurring events which took place in FY2017, and the breakdown is as follows:

Professional Fees	FY2017 (S$'000)	FY2016 (S$'000)
Professional fees - Core business	735	676
Professional fees - New subsidiary	-*	24
Merger & acquisition	689	358
Financing facilities	141	240
	1,565	1,298

** Less than $1,000.*

DEPRECIATION COSTS

Depreciation costs increased by S$1.1 million mainly due to additional depreciation costs of S$0.5 million from a newly acquired subsidiary corporation, S$0.5 million from the cinema business and S$0.1 million from the Group's post production business.

RENTAL EXPENSES

Rental expenses increased by S$1.8 million which was mainly due to additional rental expenses incurred by the cinema business and a newly acquired subsidiary corporation.

UTILITIES COSTS

Utilities costs increased by S$0.6 million mainly due to additional utilities costs incurred by the cinema business. Utilities costs incurred by the Group's core business in FY2017 remained consistent with FY2016.

FINANCE COSTS

Finance costs increased by S$0.2 million, from S$0.4 million in FY2016, to S$0.6 million in FY2017. The increase is mainly due to a S$0.5 million increase in finance costs resulting from bank borrowings to finance the acquisition of a cinema business during the year. This was offset by the decrease in other finance costs in FY2017, mainly due to the absence of amounts owing to related parties amounting to S$0.1 million and absence of unwinding of discount on deferred consideration amounting to S$0.2 million, both of which occurred in FY2016.

PROFIT BEFORE TAX

As a result, the Group recorded an increase of S$15.8 million or 158% in profit before tax from S$10.0 million in FY2016, to S$25.8 million in FY2017.

FINANCIAL POSITION

As at 31 March 2017, the Group maintained a healthy financial position. Total assets amounted to S$163.0 million, an increase of S$94.0 million from 31 March 2016, while total liabilities increased to S$68.1 million as at 31 March 2017 from S$31.8 million as at 31 March 2016.

The Group's non-current assets increased by S$36.8 million or 124%, from S$29.7 million as at 31 March 2016, to S$66.5 million as at 31 March 2017, comprising the following:

- Film rights, film intangibles and film inventories decreased by S$2.0 million or 18%, from S$11.1 million as at 31 March 2016, to S$9.1 million as at 31 March 2017.
- Goodwill increased by S$29.8 million, resulting from the acquisition of a new subsidiary corporation of S$24.0 million, and the acquisition of a new cinema operations business of S$5.8 million as at 31 March 2017.
- Property, plant and equipment increased by S$7.6 million due to the contribution of S$2.1 million from the acquisition of a new subsidiary corporation, contribution of S$1.1 million from the acquisition of new business assets.

The Group's current assets increased by S$56.8 million or 145% from S$39.3 million as at 31 March 2016, to S$96.1 million as at 31 March 2017, representing 59% of the Group's total assets and comprising the following:

- Cash and cash equivalents increased by S$21.1 million or 449%, from S$4.7 million as at 31 March 2016, to S$25.8 million as at 31 March 2017. This was mainly due to the increase of S$10.7 million from a newly acquired subsidiary corporation and S$10.1 million from the Group's core business.
- Trade and other receivables increased by S$21.9 million or 90%, from S$24.4 million as at 31 March 2016, to S$46.3 million as at 31 March 2017. This was mainly due to additional trade and other receivables from a newly acquired subsidiary corporation of S$5.6 million, refundable deposits of S$0.8 million paid to acquire the rights of a film, and rental deposits for cinema premises of S$0.1 million, as well as an increase of S$15.4 million resulting from the increase in revenue.

OPERATING FINANCIAL REVIEW

- Capitalisation of the Group's movies increased by S$13.6 million or 139%, from S$9.8 million as at 31 March 2016 to S$23.4 million as at 31 March 2017, primarily due to the increase in number of films produced.

The Group's non-current liabilities increased by S$2.4 million or 67%, from S$3.6 million as at 31 March 2016, to S$6.0 million as at 31 March 2017. This was mainly due to additional borrowings of S$4.8 million resulting from the acquisition of cinema business assets. However, deferred income tax liabilities decreased by S$0.3 million to S$0.5 million for the current year.

The Group's current liabilities increased by S$33.9 million or 120% from S$28.2 million as at 31 March 2016, to S$62.1 million as at 31 March 2017, representing 91% of the Group's total liabilities and comprise the following:

- Trade and other payables increased by S$22.8 million or 96%, from S$23.8 million as at 31 March 2016, to S$46.6 million as at 31 March 2017. This was mainly due to the deferred consideration for the acquisition of a newly acquired subsidiary corporation of S$20.0 million and additional payables of S$1.5 million for the investment in an associated company, additional trade and other payables from a newly acquired subsidiary corporation of S$7.7 million and increase of S$3.1 million by the core business during the financial year. In addition, the Group proceeded with settlement of the S$6.9 million payment due to Cathay Cineplexes on 6 April 2016 for the acquisition of cinema businesses and S$2.5 million on 10 August 2016 for the acquisition of Vividthree Productions in FY2016.

- Deferred income increased by S$2.3 million or 383%, from S$0.6 million as at 31 March 2016, to S$2.9 million as at 31 March 2017. This was mainly due to the increase in advanced payments for services rendered for more projects due to a higher number of projects across the Group's businesses.

- Borrowings increased by S$6.0 million or 3000%, from S$0.2 million as at 31 March 2016, to S$6.2 million as at 31 March 2017. This was mainly due to additional borrowings from a newly acquired subsidiary corporation of S$0.6 million and additional borrowings from the new cinema business of S$1.6 million during the financial year. Borrowings of the Group's core business also increased by S$3.8 million during the year.

- Income tax payable increased by S$2.5 million or 81%, from S$3.1 million as at 31 March 2016, to S$5.6 million as at 31 March 2017. This was mainly due to the increase in profit before tax in FY2017.

CASH POSITION

As at 31 March 2017, the Group's cash and cash equivalents amounted to S$24.9 million as compared to cash and cash equivalents of S$4.1 million as at 31 March 2016.

NET CASH USED IN OPERATING ACTIVITIES

In FY2017, the Group generated a net cash inflow of S$42.2 million from operating activities before working capital changes of S$30.8 million cash outflow.

The Group's net working capital outflow was mainly due to cash outflows of S$8.4 million from an increase in trade and other receivables, S$23.1 million from additional movies under production, S$2.0 million from film intangibles and film inventories, and tax paid during the financial year of S$2.0 million. The Group's cash inflow was due to an increase of S$0.5 million in trade and other payables and an increase in deferred income of S$2.4 million.

NET CASH USED IN INVESTING ACTIVITIES

Net cash used in investing activities amounted to S$26.4 million, mainly due to net cash paid for the acquisition of a new subsidiary corporation of S$6.0 million, net cash paid for the acquisition of new business assets of S$4.4 million, net cash paid for deferred consideration on acquisitions made in FY2016 of S$9.4 million, net cash paid for addition of property, plant and equipment of S$8.4 million by a newly acquired subsidiary corporation while S$1.3 million by core business, post production and cinema operation in FY2017, and S$0.4 million due to addition of film rights in FY2017. There was also net cash received of S$0.3 million from the disposal of an available-for-sale financial asset in Orientivity.

NET CASH GENERATED FROM FINANCING ACTIVITIES

Net cash generated from financing activities of S$37.9 million was mainly due to the cash inflow of S$11.8 million as proceeds from borrowings, and S$28.5 million from the issuance of shares pursuant to (a) the conversion of S$10.5 million in principal amount of convertible notes, and (b) pursuant to the placement of shares of S$18.0 million principal. Meanwhile, the cash outflow was due to the repayment of borrowings, finance leases, interest payment amounting to S$2.0 million.

FUTURE OUTLOOK

In FY2018, the Group will continue its focus on creating and building media and content for Asia, specifically in three areas:

1. Regional Expansions, North Asia in particular

In addition to strengthening the Group's regional presence through the incorporation of subsidiaries in China and the US in FY2017, the Group has also embarked on an increasing number of film productions and co-productions in Hong Kong, Taiwan and China. Revenue from North Asia in FY2017 contributed to 32% of the Group's revenue, up from 22% in FY2016. We foresee revenue contribution from North Asia to continue to grow.

The Group's multi-market presence also provides for a strong network of contact and talent, which we view as competitive strengths for existing and potential partners and customers. The Group will continue to find collaborations with our regional network that will cater beyond the current Chinese speaking markets.

2. Platform Businesses

Over the course of the year, the Group has embarked on and/or completed several strategic and synergistic acquisitions which include Mega Cinemas, Lotus Fivestar Cinemas, UnUsUaL, as well as taken strategic investments in Cinema Pro and RINGS.TV. Armed with the growth of our cinema business, the newly-acquired concert and event production and promotion business, as well as a stake in interactive digital media platform RINGS.TV, the Group is now a more fully integrated content and platform business, well-positioned to take advantage of the many new opportunities arising in the fast-changing wide media landscape in Asia.

In this rapidly evolving digital age, where different platforms seek to increase their share of audience's attention and following, the demand for content continues to grow. In addition, The Group's multiple platform capabilities will place us in a position to better distribute and exhibit content to reach a wider audience.

3. Copyrights

The Group's produced, co-produced and distributed titles have steadily increased year-on-year. In October 2016, the Group also acquired the rights from Talpa Global B.V to produce *The Voice Singapore/Malaysia*. The majority acquisitions of Vividthree Productions, UnUsUaL, as well as the set-up of joint-venture company Dick Lee Asia have enhanced the Group's ability to create new content beyond just movies. From film production and distribution, the Group now has integrated capabilities comprising of 3D animation, VFX and CGI, event production and concert promotion, and music and musical productions spanning across the region.

The Group is better poised to create more unique copyrights in the form of films, formats, events, concerts and others, to form the Group's main engine of growth well into the future.

Overall, the Group will actively pursue business opportunities to expand and strengthen our capabilities and competencies to become a leading media and content company in Asia.

EXECUTIVE CHAIRMAN & CEO'S STATEMENT

The evolution of content creation has presented many opportunities for mm2 Asia to tap on. The content and platform businesses continue to be our focus, and our vertical extensions across all stages of the content value chain add to our competitive advantage.

The rise in new media platforms has created a growing demand for content and increasing opportunities for platform players. Our strategic investments in Dick Lee Asia, Vividthree Productions, UnUsUaL, RINGS.TV as well as our developments in our digital content platform and cinema business have placed us in a well-rounded position as an evolving content producer.

This year, we've incorporated several new subsidiaries, including in China and the US. As we become a key player in Asia, we are focused on aggregating good talent and copyrights to create even greater content. Our multi-market presence also marks our strong network in the region and ability to be a central connecting bridge for Chinese-speaking markets in Asia and the US.

We are also glad to have Mr Chang Long Jong join our Group as CEO in April 2017. He brings along with him 30 years of industry experience and invaluable insight that will help drive the Group to the next growth stage.

On behalf of the Group, I would like to thank all our shareholders and business partners for their continued support. Of course, not forgetting my fellow Board members and all management and staff of the Group, which has grown in numbers since we listed. As a relatively young company, there is still ample room for us to grow and we are committed to become a leading media and content company in Asia.

MELVIN ANG
Founder, Executive Chairman,
CEO[1][2] and Executive Director

[1] Melvin Ang was re-designated as Executive Chairman on 9 January 2017 and ceased as the Chief Executive Officer ("CEO") on 3 April 2017.
[2] Mr Chang Long Jong was appointed as CEO on 3 April 2017.

GROUP STRUCTURE

as at 31 March 2017

mm2 Asia Ltd.

- 100% — **MM2 ENTERTAINMENT PTE. LTD.** (SINGAPORE) *Producer of Film, TV and Online Content*
  - 100% — **MM2 ENTERTAINMENT HONG KONG LIMITED** (HONG KONG) *Producer of Film, TV and Online Content*
  - 100% — **MM2 ENTERTAINMENT USA, INC** (USA) *Producer of Film, TV and Online Content*
  - 100% — **2MM PTE. LTD.** (SINGAPORE) *Café, Media and Entertainment Hub*
  - 51% — **VIVIDTHREE PRODUCTIONS PTE. LTD.** (SINGAPORE) *Award-winning 3D Animation, VFX, CGI and Post-production studio*
  - 100% — 满满哆文化传播（上海）有限公司 **MM2 INTERNATIONAL PTE. LTD.** (CHINA) *Producer of Film, TV and Online Content*
  - 100% — **MM2 SCREEN MANAGEMENT SDN. BHD.** (MALAYSIA) *Cinema Management and Operations*
    - 100% — **MM2 STAR SCREEN SDN. BHD.** (MALAYSIA) *Cinema Management*
- 100% — **MM2 ENTERTAINMENT SDN. BHD.** (MALAYSIA) *Producer of Film, TV and Online Content*
  - 49% — **MM2 FILM DISTRIBUTION SDN. BHD.** (MALAYSIA) *Producer of Film, TV and Online Content*
- 51% — **DICK LEE ASIA PTE. LTD.** (SINGAPORE) *Music, Artistes and Creative Direction*
- 51% — **UNUSUAL MANAGEMENT PTE. LTD.** (SINGAPORE) *Investment Holding Company*
  - 96.77% [(1)] — **UNUSUAL LIMITED** (SINGAPORE) *Event and Concert Producer and Promoter Listed on SGX (Stock Code 1D1)*
    - 100% — **UNUSUAL PRODUCTIONS PTE. LTD.** (SINGAPORE) *Event and Concert Production*
    - 100% — **UNUSUAL ENTERTAINMENT PTE. LTD.** (SINGAPORE) *Event and Concert Promotion*
    - 100% — **UNUSUAL DEVELOPMENT PTE. LTD.** (SINGAPORE) *Venue co-management and Event and Concert Production*
    - 100% — **UNUSUAL PRODUCTIONS (M) SDN. BHD.** (MALAYSIA) *Event Organisation and Management*
    - 100% — **UNUSUAL ENTERTAINMENT INTERNATIONAL LIMITED** (HONG KONG) *Provider of Concert Production Services, Artiste Services, Lease of Stage Equipment and Investment in Concert Production*
- 70% — **MM2VIEW PTE. LTD.** (SINGAPORE) *Digital Platforms Provider*
- 10% — **RINGS.TV PTE. LTD.** (SINGAPORE) *Interactive Broadcasting Platform Provider*

[(1)] UnUsUaL Limited was only listed on the Catalist Board of the SGX-ST on 10 April 2017, and UnUsUaL Management Pte Ltd. presently holds 82.18% of UnUsUaL Limited.

BOARD OF DIRECTORS

MELVIN ANG

Founder, Executive Chairman, CEO and Executive Director [(1)]

Melvin Ang is the Executive Chairman and Executive Director of mm2 Asia, responsible for supervising the overall business operations and management of the Group, as well as business planning and providing executive leadership and supervision to the Group's senior management team.

Mr Ang graduated from Macquarie University with a Master of Business Administration in 1996. In August 1997, he was employed by the Television Corporation of Singapore as Vice President, Business Development. Mr Ang was subsequently employed by SPH MediaWorks Ltd as the Chief Operating Officer of its Media Business Group between November 2000 and April 2003.

Between July 2003 and March 2007, Mr Ang was employed as Managing Director of MediaCorp Studios. Before setting up mm2 Malaysia and mm2 Singapore in January 2009, he served as Media Prima Berhad's ("Media Prima") Executive Advisor between July 2007 and December 2008.

(1) Melvin Ang was re-designated as Executive Chairman on 9 January 2017 and ceased to be the Chief Executive Officer ("CEO") on 3 April 2017.

TAN LIANG PHENG

Lead Independent Director[(2)]

Tan Liang Pheng is the Group's Lead Independent Director and Chairman of the Remuneration Committee. He worked for 35 years in two multinational corporations, responsible for their accounting, treasury and financial functions. He later sat on the Board of Directors of Tetra Pak Group of Companies in Singapore. In 2009, Mr Tan was appointed General Manager of Iviria Pte Ltd. and was subsequently promoted to Executive Director in 2010. Mr Tan served as Executive Director of Iviria Pte. Ltd. until November 2012.

Mr Tan was admitted as a Fellow member of the Association of Chartered Certified Accountants (UK) in 2003. He is a member of the Institute of Singapore Chartered Accountants.

(2) Mr Tan Liang Pheng has relinquished his role as Non-Executive Chairman and was appointed as the Lead Independent Director on 9 January 2017.

JACK CHIA

Independent Director

Jack Chia is an Independent Director and the Chairman of the Audit Committee. He graduated from the National University of Singapore with a degree in Accountancy and from the International University of Japan with a Master of Arts in International Relations. Mr Chia is qualified as a Fellow of the Institute of Singapore Chartered Accountants and has also completed the General Manager Program at Harvard Business School.

After twenty years in both the private and public sectors, substantially in Japan and China, with Arthur Andersen, Singapore Technologies, Government of Singapore Investment Corporation and the International Enterprise Singapore Board, Mr Chia decided to embark on a career as a professional director, specializing in corporate governance. Mr Chia's present directorships include AGV Group Limited, Combine Will International Holdings Limited, Debao Property Development Limited, Dukang Distillers Holdings Limited and Shanghai Turbo Enterprises Limited.

Currently, Mr Chia spends most of his time in Chongqing and Singapore.

THOMAS LEI

Independent Director

Thomas Lei is an Independent Director and the Chairman of the Nominating Committee. He was admitted to the Singapore Bar in 1989 and has been in active practice ever since, primarily advising on commercial law and litigation matters. Mr Lei is currently a partner of Lawrence Chua Practice LLC, a law firm based in Singapore. Mr Lei started his career at Chor Pee & Co (later Chor Pee and Partners) and subsequently joined the firm of Engelin Teh & Partners in April 2000.

Mr Lei read law at the National University of Singapore where he obtained a LL.B. and is a member of the Law Society of Singapore.

TERRY MAK

Non-Executive Director

Terry Mak is a Non-Executive Director. He is the founder and senior consultant of Media Station Ltd which provides consultancy services to broadcasting and satellite television clients. In 1991, he joined TVB International Ltd as Divisional Manager (Southeast Asia) and, in 2001, was promoted to Assistant General Manager to develop its worldwide content distribution network. After working at TVB for 14 years, Mr Mak left TVB in 2005, to work for Celestial Pictures Ltd, as its Executive Vice President, where he was responsible for managing Celestial's overseas movie distribution and movie channel business. Mr Mak held the position of Chief Operating Officer at MyChinaChannel Pte. Ltd. between 1 June 2012 and 31 July 2014.

He graduated from Hong Kong Baptist University with a Bachelor of Science in Chemistry in 1979 and from University of Connecticut in 1981 with an MBA.

MOCK PAK LUM

Non-Executive Director

Mock Pak Lum is a Non-Executive Director appointed to the Board on 10 June 2016. Presently Chief Technology Officer of StarHub Ltd., Pak Lum started his career in Hewlett Packard from 1984, supporting its research and development efforts which led to the setting up of the reliability laboratory in Singapore. In 1989, he joined Pico Art International and introduced computerisation in Pico's graphic design, thus achieving cost efficiency in graphic panel production and later set up a joint venture company with Pico - GT Communications, to offer computer animation and interactive kiosks services in many large-scale public events such as Health Fair 1992 and Singapore 2000 Exhibition.

In May 1997, Pak Lum moved on to head 1-Net Singapore to operate the backbone network for new broadband Internet services in Singapore. In July 2002, he was also appointed the CEO of the technology arm of MediaCorp where he oversaw the IT, engineering and transmission support functions. After 13 years with MediaCorp Technologies and 1-Net, he left the company to set up an IT software company in August 2010 that developed middleware for cloud computing.

Mr Mock holds a Bachelor of Electrical / Electronic Engineering from the National University of Singapore and a Master in Business Administration from the University of California, Los Angeles.

OUR TEAM

CHANG LONG JONG

Chief Executive Officer[1]

Chang Long Jong is our Group CEO and is responsible for overseeing and managing the Group's business operations, especially the production division, as well as sourcing new business opportunities for the Group. Prior to joining the Group in April 2017, Mr Chang was Deputy CEO and Chief Customer Officer of MediaCorp Pte Ltd ("MediaCorp"), overseeing all of MediaCorp's major media assets including TV, Radio, Newspaper, Magazines and Over-the-Top (OTT) service Toggle. He has a 30-year career in the business with invaluable experience in channel management, content development and production, content licensing and distribution, media business development and talent management.

CHONG HOW KIAT

Chief Financial Officer

With close to 20 years of financial experience in property management and development, construction and media industries, Chong How Kiat is responsible for all finance-related matters of the Group.

HOCK ONG

Chief Corporate Development Officer, mm2 Asia
Chief Executive Officer, mm2 Screen Management[2]

Hock Ong has extensive debt-and capital markets experience spanning Hong Kong, Malaysia, Thailand, Vietnam and China, and has played key role in several multi-million dollar transactions in different markets. He oversees the Group's cinema business and is responsible for all corporate finance matters related to the Group.

NG SAY YONG

Chief Content Officer, mm2 Asia
Managing Director, mm2 Singapore

Ng Say Yong previously held management positions at MediaCorp TV and has produced and directed numerous highly-successful TV dramas and films. He is responsible for the overall creative content development of the Group's productions.

TOONG SOO WEI

General Manager, mm2 Singapore

Previously holding management positions at J Team Productions, Neo Studios and Homerun Asia, Toong Soo Wei has produced over 25 films since 2008 and is responsible for the overall operations of mm2 Singapore.

ANGELIN ONG

Chief Operating Officer, mm2 Screen Management
General Manager, North Asia / mm2 Malaysia

Angelin Ong is vastly experienced in operations management, initiating new business ideas, brand management and content acquisition and distribution across various platforms. She is responsible for the overall operations of the Group's cinema business and operations in mm2 Malaysia and North Asia markets.

KENT CHAN

Senior Manager, Business and Content Development, mm2 Malaysia

With years of experience managing local and regional productions and artistes, Kent Chan is responsible for content development and managing mm2 Malaysia's projects.

[1] Mr Chang Long Jong was appointed as CEO on 3 April 2017.
[2] Mr Hock Ong was appointed as Chief Corporate Development Officer of mm2 Asia and CEO of mm2 Screen Management on 1 May 2017.

LESLIE ONG
Chief Executive Officer and Executive Director, UnUsUaL

With over 20 years of extensive experience in concert and evenet production and promotion, Leslie Ong is responsible for UnUsUaL's overall management operations, strategic planning and business development.

LAI CHEAH YEE
General Manager, mm2 Malaysia

Having held management positions at Media Prima, Lai Cheah Yee is experienced in brand management, programming and content acquisition. She is responsible for the operations in mm2 Malaysia.

HA YU
Executive Director, mm2 Hong Kong

A veteran actor with over 50 years of experience acting, directing and producing films, Ha Yu is responsible for the overall strategy of the mm2 Hong Kong office.

CHARLES YEO
Chief Executive Officer, Vividthree Productions

As CEO of Vividthree Productions, Charles Yeo is experienced in identifying new businesses and investments and is the overall-in-charge of the company's business strategy.

SKY LI
Chief Operating Officer, Vividthree Productions

With numerous Executive CG Producer credits on box office hit films, Sky Li is also experienced in operations and project management and is responsible for the overall operations of Vividthree Productions.

JAY HONG
Chief Technology Officer, Vividthree Productions

As an award-winning VFX/CGI Director with a portfolio of works across local and overseas commercial and film projects, Jay Hong is in charge of leading all aspects of technology development at Vividthree Productions.

DICK LEE
Creative Director, Dick Lee Asia

With a music career spanning over 40 years, Dick Lee is an established performer and composer. His multiple accolades include receiving the Cultural Medallion as well as two-time recipient of the Hong Kong Film Awards for Best Original Movie Theme Song. He is responsible for all creative matters of Dick Lee Asia.

ANDREW CHENG
Managing Director, Dick Lee Asia
Creative Consultant, mm2 Singapore

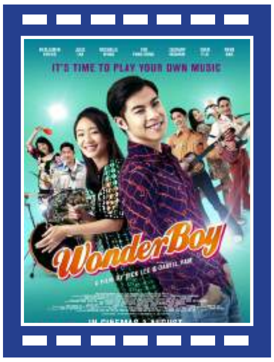
Andrew Cheng has over 40 years of television experience in Hong Kong and Singapore, holding senior positions at Rediffusion Television and Mediacorp. He is responsible for the overall operations of Dick Lee Asia, and also assists the Group's Chief Content Officer on content development.

CHUA TECK HIONG
Chief Executive Officer, mm2View

With over 10 years of experience managing digital media companies and digital solutions for both government and private clients, Chua Teck Hiong is the overall-in-charge of developing digital platforms and software for interactive digital media at mm2view.

ORDER BOOK

SOME UPCOMING FILM PRODUCTIONS / CO-PRODUCTIONS (to be released by 31 March 2018)



WONDER BOY
音为爱

AH BOYS TO MEN 4
新兵正传4

A MOMENT
一念

GHOST NET
鬼网

2359: THE HAUNTING HOUR

TURN AROUND
老师，你会不会回来

TAKE ME TO THE MOON
带我去月球

SHUTTLE LIFE
分贝人生

A GLIMPSE INTO SOME PROJECTS IN PROGRESS (for release in FY2018/FY2019)

A SIMPLE WEDDING
简单的婚礼

A free-spirited diving instructor and a funeral director's wish for a simple wedding turns to a battleground when overbearing in-laws, overzealous Ah Longs and a jealous best friend threaten to thwart the best day of their lives.

ZOMBIEPURA

When a zombie infection breaks out in their army camp, a lazy reservist soldier has to team up with his no-nonsense offier to fight to survive to save the day.

NO TIME FOR MOM
妈， 我没时间

A tragic car accident unexpectedly changes the fate of three families and intricately links these stories about motherhood.

ONE HEADLIGHT
绝世情歌

A young composer in a roving rock band sets off on a reluctant road trip with his niece in search of her elusive father.

THE SHADOW
残影空间

A female psychologist and police officer investigate a series of murders through the ability to enter the weakened subconscious minds of mental patients.

NUMBER ONE
男儿王

A taxi driver becomes the star of a drag show by accident and struggles to keep his drag queen identity hidden from his wife and young son.

SCARED TO DEATH
吓死宝宝

A timid ghost enters the underworld's annual Scary Ghost Olympics for a chance to reincarnate by scaring someone to death.

THE FIVE ELEMENTS
乾坤特务

Five teenagers gifted with the art of Fengshui have to team together against all odds to save Singapore from impending doom.

ORDER BOOK

SELECTED LINE-UP OF DISTRIBUTION TITLES SLATED FOR RELEASE BY SEPTEMBER 2018

A DAY
하루 (KOREA)
Kim Myung-min, Byun Yo-han

THE FOREIGNER (UK/CHINA)
Jackie Chan, Pierce Brosnan, Charlie Murphy, Liu Tao

MON MON MONSTER
报告老师！怪怪怪怪物！(TAIWAN)
Yukai Deng, Kent Tsai

P.O.V. / NAILS (UK)
Shauna Macdonald

HOME AGAIN (US)
Reese Witherspoon, Candice Bergen, Michael Sheen

STAN & OLLIE (US)
John C. Reilly, Steve Coogan

ABOVE SUSPICION (US)
Jack Huston, Emillia Clarke

VILLA CAPRI (US)
Morgan Freeman, Tommy Lee Jones

SHED SKIN PAPA
脱皮爸爸 (HONG KONG)
Louis Koo, Francis Ng

PAPILLON (US)
Charlie Hunnam

MOLLY'S GAME (US)
Jessica Chastain, Idris Elba

THE THOUSAND FACES OF DUNJIA
奇门遁甲 (CHINA)
Zhou Dongyu, Aarif Lee, Dong Chengpeng (Da Peng)

FIND YOUR VOICE
热血合唱团 (HONG KONG)
Andy Lau, Hugo Goh, Vincent Wan

KITA NO SAKURAMORI
北の桜守 (JAPAN)
Sayuri Yoshinaga, Masato Sakai, Ryoko Shinohara

PROJECT GUTENBERG
无双 (CHINA)
Chow Yun Fat, Aaron Kwok, Zhang Jingchu, Liu Kai Chi

SAMPLING OF UPCOMING CONCERTS AND EVENTS PROMOTED BY UNUSUAL

1. **MICHAEL LEARNS TO ROCK – "ETERNAL ASIA TOUR 2017" LIVE IN SINGAPORE**
2. **FOO FIGHTERS CONCERT**
3. **G.E.M. 邓紫棋 QUEEN OF HEARTS WORLD TOUR 2017 – SINGAPORE**
4. **WAKIN CHAU 周华健 今天唱什么 再团圆版 2017 WORLD TOUR**
5. **THE COLOR RUN**
   - **KUALA LUMPUR, MALAYSIA**
   - **SENTOSA, SINGAPORE**
   - **JAKARTA, INDONESIA**

CORPORATE GOVERNANCE REPORT

The Board of Directors (the “**Board**”) of mm2 Asia Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) are firmly committed to set in place corporate governance practices to provide the structure through which the objectives of protection of shareholders’ interests and enhancement of long-term sustainability of the Group’s business and performance are met.

This report outlines the Group’s main corporate governance structures and practices that were in place throughout and/or during the financial year ended 31 March 2017 (“**FY2017**”) or which will be implemented and where appropriate, with specific reference made to the Code of Corporate Governance 2012 (the “**Code**”) issued in May 2012 and the Disclosure Guide on Compliance with the Code developed by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) in January 2015, which forms part of the continuing obligations of the Listing Manual - Section B: Rules of Catalist of the SGX-ST (“**Catalist Rules**”). The Company has provided explanations for deviation from the Code.

BOARD MATTERS

Board’s Conduct Of Its Affairs

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

The Board’s primary role is to protect and enhance long-term shareholder value. It sets the overall strategy for the Group and supervises management (“**Management**”). To fulfil this role, the Board sets the Group’s strategic direction, establishes goals for the Management and monitors the achievement of these goals, thereby taking responsibility for the overall corporate governance of the Group.

The principal functions of the Board, apart from its statutory responsibilities, include:

(1) providing entrepreneurial leadership and setting the overall strategy and direction of the Group;

(2) reviewing and overseeing the Management of the Group’s business affairs, financial controls, performance and resource allocation;

(3) approving the Group’s strategic plans, key business initiatives, acquisition and disposal of assets, significant investments and funding decisions and major corporate policies;

(4) overseeing the processes of risk management, financial reporting and compliance and evaluating the adequacy of internal controls;

(5) approving the release of the Group’s half-year and full-year financial results, related party transactions of material nature and the submission of the relevant checklists to the SGX-ST;

(6) appointing Directors and key management personnel, including the review of performance and remuneration packages; and

(7) assuming the responsibilities for corporate governance.

All Directors objectively discharge their duties and responsibilities at all times and make objective decisions in the interests of the Company.

To assist in the execution of its responsibilities, the Board is supported by three Board Committees, namely, the Audit Committee (“**AC**”), the Nominating Committee (“**NC**”) and the Remuneration Committee (“**RC**”) (collectively “**Board Committees**”). These Board Committees operate within clearly defined terms of reference and they play an important role in ensuring good corporate governance in the Company and within the Group. The terms of reference of the Board Committees are reviewed on a regular basis to ensure their continued relevance.

The Board holds regular scheduled meetings to review the Group's key activities, business strategies, funding decisions, financial performance and to approve the release of the results of the Group. Ad-hoc meetings are convened when circumstances require. The Board also approves transactions through circular resolutions which are circulated to the Board together with all relevant information to the proposed transaction. Meetings via telephone or video conference are permitted by the Company's Constitution.

The number of meetings held and the attendance of each member at the Board's meetings and Board Committees' meetings for FY2017 are as follows:

	Board		**AC**		**NC**		**RC**	
	No. of meetings		**No. of meetings**		**No. of meetings**		**No. of meetings**	
Name of Directors	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Melvin Ang Wee Chye ("**Melvin Ang**")	2	2	2	2*	1	1	1	1*
Tan Liang Pheng	2	2	2	2	1	1	1	1
Chia Seng Hee, Jack ("**Jack Chia**")	2	2	2	2	1	1*	1	1*
Lei Chee Kong Thomas ("**Thomas Lei**")	2	2	2	2	1	1	1	1
Mak Chi Hoo ("**Terry Mak**")	2	2	2	2*	1	1*	1	1
Mock Pak Lum[(1)]	2	1	2	–	1	–	1	–

Notes:

* By invitation.
(1) Mr. Mock Pak Lum was appointed as Non-Executive Director on 10 June 2016.

The Company would be convening its formal Board meetings at least four times a year to approve the quarterly and full year results announcement from the financial year ending 31 March 2018 pursuant to Rule 705(2) of the Catalist Rules.

The Group has adopted a set of internal guidelines setting forth the financial authorisation and approval limits for investments, acquisitions and disposals. Transactions falling outside the ordinary course of business and where the value of a transaction exceeds these limits have to be approved by the Board.

Matters requiring the Board's decision and approval include the following:

(1) Approval of the Group's major investments/divestments and funding decisions;

(2) Approval of the Group's half-yearly financial updates, half-year and full-year financial result announcements for release to the SGX-ST;

(3) Approval of any agreement which is not in the ordinary course of business;

(4) Approval of any major borrowings or corporate guarantees in relation to borrowings;

(5) Entering into any profit-sharing arrangement;

(6) Incorporation or dissolution of any subsidiary;

(7) Issuance of shares or declaration of dividends;

(8) Approval of the annual report and audited financial statements;

(9) Convening of general meetings;

(10) Approval of corporate strategies;

(11) Approval of material acquisitions and disposal of assets; and

(12) Approval of announcements or press releases concerning the Group for release via the SGXNet.

CORPORATE GOVERNANCE REPORT

The Directors are also updated regularly with changes to the SGX-ST Catalist Rules, risk management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and financial reporting standards and the relevant laws and regulations to facilitate effective discharge of their fiduciary duties as Board or members of the Board Committees.

New releases issued by the SGX-ST and Accounting and Corporate Regulatory Authority ("**ACRA**") which are relevant to the Directors are circulated to the Board. The Company Secretary informs the Directors of upcoming conferences and seminars relevant to their roles as Directors of the Company. Annually, the external auditors update the AC and the Board on the new and revised financial reporting standards that are applicable to the Company or the Group.

The Directors are encouraged to attend seminars and receive training to improve themselves in the discharge of their Directors' duties and responsibilities. Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with such regulatory changes, the Company provides opportunities for ongoing education and training on Board processes and best practices as well as updates on changes in legislation and financial reporting standards, regulations and guidelines from the SGX-ST Catalist Rules that affect the Company and/or the Directors in discharging their duties.

The Company had arranged the following training and updates to the Directors and the Management during FY2017:

(1) Changes in Capital;

(2) Interested Person Transactions and Potential Conflicts of Interest;

(3) Acquisitions and Disposals;

(4) Disclosure of Changes in Substantial Shareholdings (by Directors / Substantial Shareholders / Company);

(5) Common Compliance and Disclosure Issues / Regulatory Concerns;

(6) Prohibited Market Conduct including Insider Trading and Dealing in the Company's Securities; and

(7) Takeovers.

Newly-appointed Directors receive appropriate training, if required. The Group provides background information about its history, mission and values to its Directors. In addition, the Management regularly updates and familiarises the Directors on the business activities of the Company during Board meetings. Directors will also be given opportunities to visit the Group's operational facilities and meet with the Management so as to gain a better understanding of the Group's business.

Formal letters of appointment were furnished to every newly-appointed Director upon their appointment explaining, among other matters, their roles, obligations, duties and responsibilities as a member of the Board.

BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment 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.

Presently, the Board comprises one Executive Director, two Non-Executive Directors and three Independent Directors, as follows:

Name of Directors	Date of first Appointment	Date of Last Re-election	Board	AC	NC	RC
Melvin Ang[(2)]	20 August 2014	22 July 2015	Executive Chairman and Executive Director	–	Member	–
Tan Liang Pheng[(1)]	4 November 2014	20 July 2016	Lead Independent Director	Member	Member	Chairman
Jack Chia	4 November 2014	22 July 2015	Independent Director	Chairman	–	–
Thomas Lei	4 November 2014	22 July 2015	Independent Director	Member	Chairman	Member
Terry Mak	4 November 2014	20 July 2016	Non-Executive Director	–	–	Member
Mock Pak Lum[(3)]	10 June 2016	20 July 2016	Non-Executive Director	–	–	–

Notes:

(1) Mr. Tan Liang Pheng has relinquished his role as Non-Executive Chairman and was appointed as the Lead Independent Director on 9 January 2017.

(2) Mr. Melvin Ang has been re-designated as Executive Chairman and Executive Director on 9 January 2017 and ceased to be the Chief Executive Officer ("**CEO**") on 3 April 2017.

(3) Mr. Mock Pak Lum was appointed as Non-Executive Director on 10 June 2016.

Presently, there is a strong and independent element on the Board. The Company is in compliance with Guideline 2.2 of the Code where Independent Directors make up half of the Board. Three out of six Directors of the Company are Independent Directors, of which their independence is reviewed by the NC.

Independent Directors

The NC considers an "independent" Director as one who has no relationship with the Company, its related corporations or its officers that could interfere or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company.

The NC has reviewed the independence of each Independent Director and is of the view that these Directors are independent.

There is no Independent Director who has served on the Board beyond nine years from the date of his first appointment.

The NC has reviewed the size and composition of the Board. The NC is satisfied that the current size and composition of the Board is appropriate and provides it with adequate ability to meet the existing scope of needs and the nature of operations of the Company, which facilitates effective decision-making. From time to time, the NC will review the appropriateness of the current Board size, taking into consideration the changes in the nature and scope of operations as well as the regulatory environment.

The Board is made up of Directors who are qualified and experienced in various fields including business administration, strategic planning, business management, legal, accounting and finance. Accordingly, the current Board comprises persons who as a group, have core competencies necessary to lead and manage the Group's businesses and operations.

The Non-Executive Directors and Independent Directors exercise no management functions in the Group. Although all the Directors have equal responsibility for the performance of the Group, the role of the Non-Executive Directors and Independent Directors is particularly important in ensuring that the strategies proposed by Management are fully discussed, rigorously examined and take into account the long-term interests of not only the shareholders, but also of the employees, customers, suppliers and the communities in which the Group conducts its business. They also review the performance of Management in meeting agreed goals and objectives and monitor the reporting of their performance. The NC considers its Non-Executive Directors and Independent Directors to be of sufficient calibre and size, and their views to be of sufficient weight such that no individual or small group of individuals dominates the Board's decision-making process.

The Company co-ordinates informal meeting sessions for the Non-Executive Directors and Independent Directors to meet as needed without the presence of the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, Board processes, succession planning as well as leadership development and the remuneration of the Executive Director.

The profile of each Director is set out on pages 14 and 15 of this Annual Report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The Company practices a clear division of responsibilities between the Chairman and CEO to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The roles of the Chairman and CEO are separate.

Mr. Tan Liang Pheng has relinquished his role as the Non-Executive Chairman of the Company on 9 January 2017. Mr. Melvin Ang has been re-designated as Executive Chairman and Executive Director of the Company on 9 January 2017 and ceased to be the CEO on 3 April 2017.

Mr. Chang Long Jong has been appointed as the CEO of the Company on 3 April 2017. The Executive Chairman and the CEO are not related.

The Executive Chairman ensures effective and comprehensive Board discussion on matters brought to the Board including strategic issues. The Executive Chairman supervises the overall business operations and management of the Group as well as business planning and provides executive leadership and supervision to the CEO and Senior Management team of the Company and the Group.

The responsibilities of the Executive Chairman include:

(1) Scheduling of meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations;

(2) Ensuring that Directors receive accurate, timely and clear information, and ensuring effective communication with shareholders;

(3) Ensuring the Group's compliance with the Code; and

(4) Acting in the best interest of the Group and of the shareholders.

The Company Secretary may be called to assist the Executive Chairman in any of the above.

The role of the CEO includes overseeing and managing the business operations especially the production division as well as sourcing new business opportunities for the Group. The CEO would report to the Executive Chairman.

All major decisions made by the Board are subject to majority approval of the Board. The Board believes that there are adequate safeguards in place to ensure an appropriate balance of power and authority within the spirit of good corporate governance.

The Company is in compliance with Guideline 3.3 of the Code with Mr. Tan Liang Pheng appointed as the Lead Independent Director of the Company on 9 January 2017. Mr. Tan will co-ordinate and lead the Independent Directors to provide a non-executive and independent perspective and contribute to balance view points on the Board. He is the main liaison on Board issues and in accordance with the Code, will serve as an alternative channel to address shareholders' concerns.

The Independent Directors, led by the Lead Independent Director, will meet among themselves without the presence of the other Directors, where necessary, and the Lead Independent Director will provide feedback to the Executive 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.

The NC currently comprises one Executive Director and two Independent Directors, a majority of whom are independent, including the NC Chairman.

Nominating Committee

Mr. Thomas Lei (Chairman)
Mr. Tan Liang Pheng
Mr. Melvin Ang

The NC has its terms of reference which sets out their duties and responsibilities. It includes the following:

(a) to make recommendations to the Board on all board appointments, including re-nominations, having regarded the Director's contribution and performance (for example, attendance, preparedness, participation and candour) including, if applicable, as an Independent Director. All Directors should be required to submit themselves for re-nomination and re-election at regular intervals and at least every three years;

(b) to determine annually whether or not a Director is independent;

(c) in respect of a Director who has multiple board representations on various companies, to decide whether or not such a director is able to and has been adequately carrying out his/her duties as director, with regards to the competing time commitments that are faced when serving on multiple boards;

(d) to review and approve any new employment of related persons and the proposed terms of their employment; and

(e) to decide how the Board's performance is to be evaluated and to propose objective performance criteria, subject to the approval of the Board, which addresses how the Board has enhanced long term shareholder value. The Board will also implement a process to be proposed by the NC for assessing the effectiveness of the Board as a whole and for assessing the contribution of each individual Director to the effectiveness of the Board (if applicable).

The NC is responsible for identifying and recommending new Directors to the Board, after considering the necessary and desirable competencies. In selecting potential new Directors, the NC will seek to identify the competencies required as well as evaluate the profession, knowledge and experience of the candidate to enable the Board to fulfil its responsibilities.

The NC may engage consultants to undertake research on, or assess, candidates applying for new positions on the Board, or to engage other independent experts, as it considers necessary to carry out its duties and responsibilities. Recommendations for new Directors are put to the Board for its consideration and/or approval.

The NC makes recommendations to the Board on re-appointment of Directors based on, among others, the Director's attendance record at meetings of the Board and Board Committees, participation at meetings and contributions to the Group's business and affairs.

The Board and the NC have endeavoured to ensure that the Directors appointed to the Board possess the relevant experience, knowledge and expertise critical to the Group's business.

Regulation 107 of the Company's Constitution requires one-third of the Board to retire by rotation at every Annual General Meeting ("**AGM**"). Each Director shall retire from office once every three years. Pursuant to Regulation 117 of the Company's Constitution, Directors of the Company who were newly-appointed by the Board since the last AGM will have to retire at the forthcoming AGM. A retiring Director shall be eligible for re-election at the meeting at which he retires. Each member of the NC shall abstain from voting on any resolutions with respect to his re-nomination as a Director.

The NC has recommended to the Board that Mr. Melvin Ang and Mr. Jack Chia be nominated for re-election at the forthcoming AGM. The Board has accepted the NC's recommendation.

Mr. Melvin Ang, being a member of NC, who is retiring at the AGM, had abstained from voting on the resolution in respect of his re-nomination as a Director.

For the financial year under review, the NC is of the view that the Independent Directors of the Company are independent (as defined in the Code) and are able to exercise judgment on the corporate affairs of the Group independent of the Management.

Despite some Directors having other Board representations, the NC is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company. Currently, the Board has not determined the maximum number of listed Board representations which any Director may hold. The NC and the Board will review the requirement to determine the maximum number of listed Board representations as and when it deems fit.

There are no alternate directors being appointed to the Board.

The key information regarding Directors, such as academic and professional qualifications, Board Committees served, directorships, chairmanships or as a member both present and past held over the preceding three years in other listed companies and other major appointments or its related corporations, whether the appointment is executive or non-executive are set out in pages 39 and 40 of the Annual Report.

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.

In line with the principles of good corporate governance, the Board has implemented a process to evaluate its performance as a whole. The performance criteria include financial targets, the contribution by Directors, their expertise, their independence and their industry knowledge. This encourages constructive feedback from the Board and leads to an enhancement of its performance over time. The Board has met to discuss the evaluation of the Board's performance and has adopted a formal evaluation process to assess the effectiveness of the Board as a whole and its Board Committees.

The results of the evaluation exercise will be collated by the Company Secretary for the NC's review and consideration, which then makes recommendations to the Board on enhancements to improve the effectiveness of the Board as a whole and Board Committees. The NC, having reviewed the overall performance of the Board and Board Committees based on the evaluation criteria setting out in the formal evaluation form for the Board as a whole and Board Committees for FY2017, is of the view that the performance of the Board as a whole and Board Committees have been satisfactory. The NC is satisfied that sufficient time and attention has been given to the Group by the Directors. No external facilitator was used in the evaluation process.

Although the Directors are not evaluated individually, the performance of the Directors is evaluated using an agreed criteria, aligned as far as possible with appropriate corporate objectives. The criteria includes short-term and long-term measures and cover financial and non-financial performance indicators such as the strength of his experience and stature and his contribution to the proper guidance of the Group and its businesses.

The NC has recommended the adoption of the formal annual evaluation form for the individual Director to further enhance the effectiveness and contribution by each Director. The Board has accepted the NC's recommendation and the formal annual evaluation form for the individual Director would be adopted with effect from the financial year ending 31 March 2018.

ACCESS TO INFORMATION

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

To enable the Board to fulfil its responsibilities, the Management strives to provide Board members with adequate and timely information for Board and Board Committees' meetings on an on-going basis. The Board and Board Committees' papers are prepared for each meeting and are disseminated to the members before the meetings. The Board and Board Committees' papers include financial, business and corporate matters of the Group so as to enable the Directors to be properly briefed on matters to be considered at the Board and Board Committees' meetings. Directors are given separate and independent access to the Group's Management and Company Secretary to address any enquiries.

The Directors have separate and independent access to the Company's Management and the Company Secretary at all times to address any enquiries. Should the Directors, whether as a group or individually, require independent professional advice, such professionals (who will be selected with the concurrence of the Chairman or the Chairmen of the Board Committees requiring such advice) will be appointed at the Company's expense.

The Company Secretary or her representative administers, attends and prepares minutes of all Board and Board Committees' meetings and assists the Chairman of the Board and/or the Board Committees in ensuring that proper procedures at such meetings are followed and reviewed so that the Board and the Board Committees function effectively. The appointment and removal of the Company Secretary is subject to the approval of the Board.

The Directors, either individually or as a group have the right to seek independent professional advice, if necessary, in furthering their duties. The costs of such services will be borne by the Company.

REMUNERATION MATTERS

Procedures For Developing Remuneration Policies

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

The RC currently comprises one Non-Executive Director and two Independent Directors, a majority of whom are independent, including the RC Chairman.

Remuneration Committee

Mr. Tan Liang Pheng (Chairman)
Mr. Thomas Lei
Mr. Terry Mak

The RC has its terms of reference, setting out their duties and responsibilities, which include the following:

(a) to recommend to the Board a framework of remuneration for the Directors and Executive Officers, and to determine specific remuneration packages for each Executive Director and any CEO (or executive of equivalent rank) and key management personnel; if such CEO and key management personnel is not an Executive Director, such recommendations are to be submitted for endorsement by the entire Board and should cover all aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, share options and benefits in kind;

(b) in the case of service contracts (if any) for any Director or Executive Officer, to consider what compensation commitments the Directors' or Executive Officers' contracts of service, if any, would entail in the event of early termination with a view to be fair and avoid rewarding poor performance; and

(c) in respect of any long-term incentive schemes, including share schemes, as may be implemented, to consider whether any Director should be eligible for benefits under such long-term incentive schemes.

No Director will be involved in determining his own remuneration. The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. The expense of such services shall be borne by the Company. There were no remuneration consultants engaged by the Company in FY2017.

In reviewing the service agreements of the Company's Executive Directors and key management personnel, the RC will review the Company's obligations in the event of termination of these service agreements, to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

BOARD PERFORMANCE

Level and Mix of Remuneration

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

The RC will take into account the industry norms, the Group's performance as well as the contribution and performance of each Director when determining remuneration packages.

The remuneration for the Executive Director and certain key management personnel comprise a fixed and variable component. The variable component is performance related and is linked to the Group's performance as well as the performance of each individual Executive Director and key management personnel.

The Company has entered into a service agreement with Mr. Melvin Ang for an initial period of three years with effect from 9 December 2014 and shall be automatically renewed on the terms and subject to the conditions to be agreed between the Executive Director and the Company.

The Company has adopted the mm2 Performance Share Plan ("**mm2 PSP**"). The Group's Executive Director and Non-Executive Directors (including Independent Directors), controlling shareholders or associates of a controlling shareholder are eligible to participate in the mm2 PSP in accordance with the rules of the mm2 PSP.

The Independent Directors and Non-Executive Directors receive Directors' fees in accordance with their contributions, taking into account factors such as effort and time spent, responsibilities of the Directors and the need to pay competitive fees to attract, retain and motivate the Directors. The Independent Directors and Non-Executive Directors shall not be overcompensated to the extent that their independence may be compromised. There are no share-based compensation schemes in place for Independent Directors and Non-Executive Directors.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Director and key management personnel in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Company. The Executive Director owe a fiduciary duty to the Company and the Company should be able to avail itself to remedies against the Executive Director in the event of a breach of fiduciary duties.

DISCLOSURE ON REMUNERATION

Principle 9: Each 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 key management personnel, and performance.

The details of the level and mix of remuneration of the Directors of the Group for the services rendered during FY2017 are as follows:

Remuneration Band and Name of Directors	Salary, CPF and Allowance (%)	Bonus (%)	Other Benefits (%)	Share Options (%)	Directors' Fees (%)	Total (%)
Between S$750,000 and S$1,000,000						
Melvin Ang	12	88	–	–	–	100
Below S$250,000						
Tan Liang Pheng	–	–	–	–	100	100
Jack Chia	–	–	–	–	100	100
Thomas Lei	–	–	–	–	100	100
Terry Mak	–	–	–	–	100	100
Mock Pak Lum[(1)]	–	–	–	–	–	–

Note:

(1) Mr. Mock Pak Lum was appointed as Non-Executive Director on 10 June 2016.

The details of the remuneration of relevant key management personnel of the Group for services rendered during FY2017 are as follows:

Name of Key Management Personnel	Salary, CPF and Allowance (%)	Bonus (%)	Other Benefits (%)	Share Options (%)	Total (%)
Below S$250,000					
Chang Long Jong[(1)]	–	–	–	–	–
Chong How Kiat	100	–	–	–	100
Angelin Ong	100	–	–	–	100
Ng Say Yong	63	37	–	–	100
Toong Soo Wei	53	47	–	–	100
Kent Chan	93	7	–	–	100

Note:

(1) Mr. Chang Long Jong was appointed as the CEO on 3 April 2017.

For FY2017, the aggregate total remuneration paid to the top five key management personnel (who are not Directors or the CEO) amounted to S$605,522.

(a) For FY2017, there were no terminations, retirement or post-employment benefits granted to Directors and relevant key management personnel other than the standard contractual notice period termination payment in lieu of service.

(b) There were no employees who were immediate family members of a Director or CEO whose remuneration exceeds S$50,000 in the Group's employment during the financial year under review.

In view of confidentiality of remuneration matters, the Board is of the opinion that it is in the best interests of the Group not to disclose the exact remuneration of Directors and key management personnel in the Annual Report and that the disclosure based on the above remuneration bands is appropriate.

ACCOUNTABILITY AND AUDIT

Accountability

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

The Board understands its accountability to the shareholders on the Group's position, performance and progress. The objectives of the presentation of the annual audited financial statements, full-year and half-yearly results are to provide the shareholders with a balanced and understandable analysis and explanation of the Group's financial performance, position and prospects.

The Management understands its role to provide all members of the Board with a balanced and understandable assessment of the Group's performance, position and prospects. The Management provides the Board with appropriately detailed information on the Company's performance, position and prospects on a half-yearly basis and when deemed appropriate.

The Board will take adequate steps to ensure compliance with legislative and regulatory requirements. In line with the SGX-ST Catalist Rules, the Board provides a negative assurance statement to the shareholders in respect of the interim financial statement.

The Management is accountable to the Board and maintains regular contact and communication with the Board including preparation and circulation to the Board of half-year and full-year financial statements of the Group. These enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that the Management maintains a sound system of risk management and internal controls to safeguard the 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 acknowledges its responsibility for the governance of risk and ensures that the Management maintains a sound system of internal controls and effective risk management policies to safeguard the shareholders' investment and the Company's assets. However, the Board also acknowledges that no cost-effective internal control system will preclude all errors and irregularities. The system is designed to manage rather than eliminate risks of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The internal controls in place will address the financial, operational, compliance and information technology risks and the objectives of these controls are to provide reasonable assurance that there are no material financial misstatements or material loss, there are maintenance of proper accounting records, financial information is reliable, and assets are safeguarded.

The Management is responsible for designing, implementing and monitoring the risk management and internal controls systems within the Group. The Management regularly reviews the Group's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. Any significant matters are highlighted to the Board and the AC for their deliberation. To further review the adequacy and effectiveness of internal controls, the AC is assisted by various independent professional service providers. The assistance of the internal auditors enabled the AC to carry out assessments of the effectiveness of key internal controls during the year. Material non-compliance or weaknesses in internal controls or recommendations from the internal auditors and external auditors to further improve the internal controls were reported to the AC, including the Management action plans to be undertaken to address the recommendations.

The AC also follows up on the actions taken by the Management on the recommendations made by the internal auditors and external auditors arising from their work performed. Based on the reports submitted by the internal and external auditors received by the AC and the Board, nothing material has come to the attention of the AC and the Board to cause the AC and the Board to believe that the internal controls are not satisfactory, based on the current size and nature of the Company's business.

To further enhance the risk management procedures in place, the Group has engaged its internal auditors, BDO LLP, to establish a structured Enterprise Risk Management ("**ERM**") framework which provides documented guidance on the process for identifying and assessing risks, the adequacy of countermeasures and the manner in which risks are reported to the Board and the AC.

The pilot ERM programme covers the following areas:

(1) ERM policies and procedures

An overall framework for risk management has been documented in a manual to be disseminated to personnel responsible for oversight of risks and operations of risk countermeasures. This ERM manual includes the terms of reference of the Committee and the various personnel responsible for monitoring and managing risks in the Group. The ERM process will also require ongoing identification of key risks to the company and reporting these risks to the Board to better determine whether appropriate measures have been taken to address relevant risks. Risk workshops attended by key management personnel will be conducted to provide a structured approach of identification and assessment of risks.

(2) Risk Appetite of the Company

The risk appetite of the Group in managing risks was discussed during the ERM project. Generally, the Group will rely on Management to monitor day to day operations while subjecting key corporate decisions, such as investments or acquisitions of businesses to the approval of the Board. The Company's performance is monitored closely by the Board periodically and any significant matters that might have an impact on the operating results are required to be brought to the immediate attention of the Board.

The Company has also taken a strict stance towards avoiding any risks that might result in breaching relevant laws and regulations and risks that could adversely affect the reputation of the Group. Active efforts are also in place manage risks within impact such as transferring them to third party insurers or having internal control procedures to better mitigate the likelihood of their occurrence. Internal audits will be regularly conducted to assess the ongoing compliance with the established controls to address key risk areas where applicable.

(3) Risk assessment and monitoring

Based on the ERM framework, the nature and extent of risks to the Company will be assessed regularly and risk reports covering top risks to the Group will be submitted periodically to the Board. A set of risk registers to document risks arising from this ERM exercise has also been established to document key risks and the corresponding countermeasures.

The Directors have received and considered the representation letters from the Executive Chairman[1] and CFO in relation to the financial information for the year. Associates which the Company does not control are not dealt with for the purposes of this statement. The Executive Chairman[1] and the CFO have assured the Board that:

a. The financial records have been properly maintained and the financial statements for the FY2017 give a true and fair view in all material aspects, of the Group's operations and finances; and

b. The Group's risk management and internal controls systems are operating effectively in all material aspects given its current business environment.

Based on the internal controls and risk management systems established and maintained by the Group, work performed by the internal auditors and external auditors, reviews performed by the Management and the controls and processes which are currently in place, the Board with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management systems are adequate and effective in addressing the financial, operational, compliance and information technology risks of the Group for FY2017.

Note:

(1) The CEO, Mr. Melvin Ang has been re-designated as Executive Chairman on 9 January 2017 and ceased as the CEO on 3 April 2017.

Audit Committee

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

The AC currently comprises three members, all of whom (including the Chairman of the AC) are Independent Directors.

Audit Committee

Mr. Jack Chia (Chairman)
Mr. Tan Liang Pheng
Mr. Thomas Lei

The Board is of the view that the AC members possess experience in finance, legal and business management which are appropriately qualified, having the relevant accounting or related financial management expertise to discharge their responsibilities.

The role of the AC is to assist the Board with discharging its responsibility to safeguard the Company's assets, maintain adequate accounting records, and develop and maintain effective systems of internal controls. The AC has full access to and the co-operation of Management and the full discretion to invite any Director or Executive Officer to attend its meetings, and has reasonable resources to enable it to discharge its functions properly. The external auditors have unrestricted access to the AC.

The AC has its terms of reference, setting out their duties and responsibilities, which include the following:

a) review with the external auditors the audit plan, their audit report, their Management letter and our Management's response;

b) review the audit plan of the internal auditor, and the internal auditor's review and evaluation of the Group's system of internal controls and accounting system;

c) review the financial statements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;

d) review the internal control and procedures, ensure co-ordination between the external auditors and the Management, review the assistance given by the Management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of our Management where necessary);

e) review any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the Management's response;

f) review, where applicable, the role and effectiveness of the internal audit procedures;

g) review and approve interested person transactions and review procedures thereof;

h) consider the appointment or re-appointment of the external auditors and matters relating to the resignation or dismissal of the external auditors and the internal auditor;

i) review the Group's compliance with such functions and duties as may be required under the relevant statutes or the Catalist Rules, including such amendments made thereto from time to time;

j) review at least annually the Group's key financial risk areas, with a view to provide an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports of the Company or, where the findings are material, to announce such material findings immediately via SGXNet; and

k) generally to undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

Apart from the duties listed above, the AC is given the task of commissioning investigations into matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Company's operating results or financial position, and to review its findings.

In July 2010, SGX-ST and ACRA launched the "Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors" ("**Guidance**") which aims to facilitate the AC in evaluating the external auditors. Accordingly, the AC evaluated the performance of the external auditors based on the key indicators of audit quality and guidance, where relevant, as set out in the Guidance.

The AC recommends to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors and approving the remuneration of the external auditors. The AC has recommended to the Board the nomination of Nexia TS Public Accounting Corporation for re-appointment as external auditors of the Company at the forthcoming AGM. The Company confirms that Rule 712 and Rule 715 of the Catalist Rules have been complied with.

Annually, the AC conducts a review of all non-audit services provided by the external auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The AC received an audit report from the external auditors setting out the non-audit services provided and the fees charged for FY2017. The aggregate amount paid to the external auditors for audit and non-audit services for FY2017 are as follows:

	S$'000
Audit Fees	138
Non-audit Fees	
- Tax services	14
- Due diligence services	63

The AC will meet with the external auditors and internal auditors without the presence of the Management, as and when necessary, to review the adequacy of audit arrangements, with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the external auditors.

Fraud and whistle blowing policy

The Group has implemented a fraud and whistle blowing policy whereby accessible channels are provided for employees to raise concerns about possible improprieties in matters of financial reporting or other matters which they become aware and to ensure that:

(1) independent investigations are carried out in an appropriate and timely manner

(2) appropriate action is taken to correct the weakness in internal controls and policies which allowed the perpetration of fraud and/or misconduct and to prevent a recurrence; and

(3) administrative, disciplinary, civil and/or criminal actions that are initiated following the completion of investigations are appropriate, balanced and fair, while providing reassurance that employees will be protected from reprisals or victimisation for whistle-blowing in good faith and without malice.

As at reporting date, there were no reports received through the whistle blowing mechanism.

The AC is updated annually or from time to time on any changes to the accounting and financial reporting standards by the external auditors. No former partner or director of the Company's existing auditing firm has acted as a member of the AC.

Internal Audit

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

The internal audit function is currently outsourced to BDO LLP ("**BDO**"), a member firm of the international BDO network of auditing firms, and they report directly to the AC on audit matters, and the Executive Chairman and CEO on administrative matters. BDO performs their work in accordance with the BDO Global Internal Audit Methodology which is consistent with the Standards for the Professional Practice of Internal Auditing established by The Institute of Internal Auditors.

The AC approves the hiring, removal, evaluation and compensation of the internal audit function. The internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

The annual internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. In accordance with the internal audit plan, the IA conducts internal audit reviews over the effectiveness of internal controls over the key business processes in the Group including those that address applicable financial, operational, compliance and information technology controls risks. Findings and recommendations arising from the internal audits are agreed with the Management and presented to the AC. The IA also assists the AC in overseeing and monitoring the subsequent implementation of recommendations on internal controls weaknesses identified.

The AC reviews the scope and results of the internal audit and ensures that the internal audit function is adequately resourced. Following the review of BDO's internal audit plan and their evaluation of the internal controls system, the AC is satisfied that the internal audit is effective, adequately resourced and has appropriate standing within the Group.

The AC would annually review the adequacy and effectiveness of the internal audit function of the Group.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

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

In line with the continuous obligations of the Company under the SGX-ST Catalist Rules and the relevant rules and regulations, the Board's policy is that all shareholders should equally and on a timely basis be informed of all major developments that impact the Group via SGXNet.

Shareholders are informed of the general meetings through the announcements released to the SGXNet and notices contained in the Annual Report or circulars sent to all shareholders. These notices are also advertised in a national newspaper. All shareholders are entitled to attend the general meetings and are provided the opportunity to participate in and vote at the general meetings. If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/ her behalf at the general meeting through a proxy form sent in advance. The Company's Constitution does not include the nominee or custodial services to appoint more than two proxies.

On 3 January 2016, the legislation was amended, among other things, to allow certain members, defined as "Relevant Intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant Intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

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 firmly believes in high standards of transparent corporate disclosure by disclosing to its stakeholders, including its shareholders the relevant information on a timely basis through SGXNet. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable. Communication is made through:

(1) The Annual Report which is prepared and sent to all shareholders. The Board ensures that the Annual Report includes all relevant material information about the Company and the Group, including future developments and other disclosures required by the relevant rules and regulations;

(2) Half-yearly announcements containing a summary of the financial information and affairs of the Group for that period;

(3) Notices of explanatory memoranda for AGMs and Extraordinary General Meetings ("**EGM**"). The notice of AGM and EGM are also advertised in a national newspaper; and

(4) News releases on major developments of the Company and the Group.

Although the Company does not have any investor relations personnel, our shareholders can access the Company's website at http://www.mm2asia.com for information on the Company and the Group.

By supplying shareholders with reliable and timely information, the Company is able to strengthen the relationship with its shareholders based on trust and accessibility.

The Company does not practice selective disclosure. Price-sensitive information is first publicly released through SGXNet, before the Company meets with any investors or analysts. All shareholders of the Company will receive the Annual Report with notice of AGM by post and published in the newspapers within the mandatory period, which is held within four months after the end of the financial year.

The Group does not have a formal dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's earnings, general financial condition, results of operations, capital requirements, cash flow, general business conditions, the Group's development plans and other factors as the Board may deem appropriate. As a growth company, the Group is preserving its funds for future expansions. Therefore, no dividends will be paid in respect of FY2017.

CONDUCT OF SHAREHOLDERS' MEETING

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

The shareholders are encouraged to attend the Company's general meetings to ensure a high level of accountability and to be updated on the Group's strategies and goals. Notice of the general meeting is dispatched to shareholders, together with explanatory notes or a circular on items of special businesses (if necessary), at least 14 clear calendar days before the meeting. The Board welcomes questions from shareholders who wish to raise issues, either informally or formally before or during the AGM.

Each item of special business included in the notice of the general meetings will be accompanied by an explanation of the effects of a proposed resolution. All resolutions at the general meetings are single item resolutions.

The Chairman of the Board Committees are normally present and available to address questions relating to the work of their respective Board Committees at general meetings. Furthermore, the external auditors are present to assist the Board in addressing any relevant queries by our shareholders. The Company will make available minutes of general meetings to shareholders upon their requests.

The Company acknowledges that voting by poll in all its general meeting is integral to the enhancement of corporate governance. The Company adheres to the requirements of the Catalist Rules and the Code, all resolutions at the Company's general meetings held on or after 1 August 2015, if any, are put to vote by poll. For cost effectiveness, the voting of the resolutions at the general meetings is conducted by manual polling. The detailed results of each resolution are announced via SGXNet after the general meetings.

RISK MANAGEMENT

The Company is continually reviewing and improving the business and operational activities to take risk management into account. This includes reviewing management and manpower resources, updating work flows, processes and procedures to meet the current and future market conditions. All the significant controls, policies and procedures and all significant matters are highlighted to the AC and the Board. The significant risk management policies are disclosed in the audited financial statements of this Annual Report.

MATERIAL CONTRACTS

There were no material contracts of the Company or its subsidiaries involving the interest of the Executive Chairman, or any director or controlling shareholder subsisting at the end of the financial year.

INTERESTED PERSON TRANSACTIONS

The Company has established guidelines and review procedures for the ongoing and future interested person transactions ("**IPTs**"). The IPTs are subject to review by the AC to ensure that they are on normal commercial terms and on an arm's length basis, that is, the transactions are transacted in terms and prices not more favourable to the interested persons than if they were transacted with a third party and are not prejudicial to the interests of the Group or our minority shareholders in any way.

There were no IPTs between the Company and any of its interested persons (namely, Directors, executive officers or controlling shareholders of the Group or the associates of such Directors, executive officers or controlling shareholders) subsisting for FY2017.

DEALINGS IN SECURITIES

The Company has adopted its own internal Code of Best Practices to provide guidance to all officers and employees of the Company and its subsidiaries with regard to dealings in the Company's securities in compliance with Rule 1204(19) of the Catalist Rules of the SGX-ST. The Company and its officers are prohibited from dealing in the Company's securities during the periods commencing one month before the announcement of the Company's half-year and full-year results and ending on the date of the announcement of the relevant results.

Directors and executives are also expected to observe insider-trading laws at all times even when dealing with securities within the permitted trading period or while they are in possession of unpublished price-sensitive information of the Group. They are not to deal in the Company's securities on short-term considerations.

CATALIST SPONSOR

The Company is currently under the SGX-ST Catalist sponsor-supervised regime and the continuing sponsor of the Company is Hong Leong Finance Limited. (the "**Sponsor**"). In compliance with Rule 1204(21) of the Catalist Rules, there was no non-sponsor fee paid to the Sponsor for FY2017.

USE OF PROCEEDS

Use of Proceeds from Convertible Notes

The Group refers to the aggregated gross proceeds amounting to S$5.0 million raised from the issuance of convertible notes pursuant to the Convertible Note Subscription Agreement with Orientivity Capital Pte. Ltd. on 24 February 2016.

	Convertible Note[(1)]	Convertible Note (Greenshoe)[(1)]	Total	Utilised	Unutilised
	S$'000	**S$'000**	**S$'000**	**S$'000**	**S$'000**
Investment in production / acquisition of movie rights	4,960	2,500	7,460	7,460[(2)]	–
General working capital	40	–	40	40[(3)]	–
	5,000	2,500	7,500	(7,500)	–

Notes:

(1) As per the annoucement on 24 February 2016, the Group intended to use 100% of the net proceeds of the issuance of convertible notes for general working capital purposes, where investment in production/ acquisition of movie rights also form part of the general working capital of the Group.

(2) An aggregate amount of S$7.4 million had been used in investment in productions / acquisition of movie rights and details are set below:

	The Group (S$'000)
Acquisition of film intangibles for distribution	649
Additions in film products	4,357
Additions in investment in movie productions – third party	507
Additions in under production (WIP)	1,947
	7,460

(3) An amount of S$40,000 had been used for professional fees and expenses in relation to the issuance of convertible notes above.

Use of Proceeds from Placement of Shares

The Group refers to the aggregated gross proceeds amounting to S$18.04 million raised from the placement of shares pursuant to the share placement agreements with Starhub Ltd on 22 March 2016.

The status of the use of proceeds from placement of shares are as follow:

	Starhub Ltd[1]	Utilised	Unutilised
	S$'000	S$'000	S$'000
Acquisition/ joint ventures/ strategic alliances	12,005	(12,005)[2]	–
Investment in production/ acquisition of movie rights	5,975	(5,975)[3]	–
General working capital	60	(60)[4]	–
	18,040	(18,040)	–

Notes:

(1) As per the announcement on 22 March 2016, the Group intended to use 100% of the net proceeds of the placement of shares for general working capital purposes, where investment in production/ acquisition of movie rights also form part of the general working capital of the Group.

(2) An amount of S$12.0 million had been used in merger and acquisition activities, which is mainly due to the acquisition of new business assets from Mega Cinemas Management Sdn. Bhd. of approximately S$2.4 million, the acquisition of new subsidiary corporation UnUsUaL Limited (formerly known as UnUsUaL Pte. Ltd.) of approximately S$6.0 million, deferred consideration for the acquisition of Vividthree Productions Pte. Ltd. of approximately S$2.9 million , and the acquisition of new business assets from Lotus Fivestar Cinemas Sdn. Bhd. of approximately S$0.5 million.

(3) An aggregate amount of S$6.0 million had been used in productions/acquisition of movie rights and details are set below:

	The Group (S$'000)
Acquisition of film intangibles for distribution	904
Additions in film products	4,856
Additions in investment in movie productions - third party	215
	5,975

(4) An amount of S$60,000 had been used for professional fees and expenses in relation to the placement of shares above.

PARTICULARS OF DIRECTORS PURSUANT TO THE CODE OF CORPORATE GOVERNANCE 2012

Name of Director	Academic/ Professional Qualifications	Board Appointment Executive/ Non-executive	Board Committees as Chairman or Member as at the date of this Annual Report	Directorship Date First Appointed	Date of Last Re-election	Directorships in other listed companies	Past directorships in other listed companies over the preceding 3 years	Other Principal Commitments
Melvin Ang	Master of Business Administration from Macquarie University	Executive Chairman and Executive Director	Board Chairman and member of NC	20 August 2014	22 July 2015	UnUsUaL Limited (listed on Catalist board on 10 April 2017)	–	–
Tan Liang Pheng	A member of the Institute of Singapore Chartered Accountants	Lead Independent Director	Board Member, Chairman of RC and member of AC and NC	4 November 2014	20 July 2016	–	–	–
Jack Chia	Degree in Accountancy from National University of Singapore and Master of Arts in International Relations from International University of Japan and he is a fellow member of the Institute of Certified Public Accountants. He also completed a General Manager Program at Harvard Business School	Independent Director	Board Member and Chairman of AC	4 November 2014	22 July 2015	• Combine Will International Holdings Limited • Debao Property Development Limited • Dukang Distillers Holdings Ltd • Shanghai Turbo Enterprises Limited • AGV Group Limited	• Sunray Holdings Limited • China Hongcheng International Holdings Limited	–

CORPORATE GOVERNANCE REPORT

Name of Director	Academic/ Professional Qualifications	Board Appointment Executive/ Non-executive	Board Committees as Chairman or Member as at the date of this Annual Report	Directorship Date First Appointed	Date of Last Re-election	Directorships in other listed companies	Past directorships in other listed companies over the preceding 3 years	Other Principal Commitments
Thomas Lei	Bachelor of Laws from National University of Singapore and he is a member of the Law Society of Singapore	Independent Director	Board Member, Chairman of NC and Member of AC and RC	4 November 2014	22 July 2015	-	-	-
Terry Mak	Master of Business Administration from University of Connecticut and Bachelor of Science in Chemistry from Hong Kong Baptist University	Non-Executive Director	Board Member and Member of RC	4 November 2014	20 July 2016	• Media Station Ltd • Land Plus Ltd • FM Telemedia Ltd	• Celestial Pictures Ltd	-
Mock Pak Lum	Bachelor of Electrical/ Electronic Engineering from the National University of Singapore and Master of Business Administration from the University of California, Los Angeles	Non-Executive Director	Board Member	10 June 2016	20 July 2016	-	-	-

FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

CONTENTS

DIRECTORS' STATEMENT

For the financial year ended 31 March 2017

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 March 2017 and the balance sheet of the Company as at 31 March 2017.

In the opinion of the directors,

(i) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 50 to 131 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 March 2017, and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(ii) 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.

Directors

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

Ang Wee Chye
Tan Liang Pheng
Chia Seng Hee, Jack
Lei Chee Kong Thomas
Mak Chi Hoo
Mock Pak Lum (Appointed on 10 June 2016)

Arrangements to enable directors to acquire shares and debentures

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 any other body corporate, other than as disclosed under "mm2 Performance Share Plan" in this statement.

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director			Holdings in which director is deemed to have an interest		
	At 21.04.2017	At 31.03.2017	At 01.04.2016	At 21.04.2017	At 31.03.2017	At 01.04.2016
Company *(No. of ordinary shares)*						
Ang Wee Chye	145,844,000	145,844,000	185,322,000	317,910,000	317,910,000	40,600,000
Lei Chee Kong Thomas	200,000	200,000	–	–	–	–

By virtue of section 7 of the Singapore Companies Act, Chapter 50, Mr. Ang Wee Chye is deemed to have an interest in the shares of all the Company's subsidiary corporations at the end of the financial year.

Share Options

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiary corporations.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under option at the end of the financial year.

mm2 Performance Share Plan

The Company has implemented a performance share plan known as "mm2 PSP" which was approved and adopted by the shareholders at an Extraordinary General Meeting held on 4 November 2014 which provides for the award of fully paid-up ordinary shares in the share capital of the Company free-of-charge, provided that certain prescribed performance targets (if any) are met and upon expiry of the prescribed performance period.

Full-time Group Executives who have attained the age of 21 years as of the award date and hold such rank as may be designated by the Committee from time to time are eligible to participate in mm2 PSP. Group Executive Directors and Group Non-Executive Directors (including Independent Directors) of the Group are eligible to participate in mm2 PSP. The participant must also not be an undischarged bankrupt and must not have entered into a composition with his creditor.

Persons who are controlling shareholders or associates of a controlling shareholder who meet the criteria above are also eligible to participate in the mm2 PSP provided that the participation of and the terms of each grant and the actual number of awards granted under mm2 PSP to a participant who is a controlling shareholder or an associate of a controlling shareholder shall be approved by the independent shareholders in a separate resolution for each person subject to the following:

(a) the aggregate number of shares comprised in awards granted to controlling shareholders or associates of a controlling shareholder under mm2 PSP shall not exceed 25% of the aggregate number of shares (comprised in awards) which may be granted under mm2 PSP; and

(b) the number of shares available to the each controlling shareholder or associate of a controlling shareholder shall not exceed 10% of the shares available under mm2 PSP.

mm2 PSP is a share incentive scheme which will allow the Company, inter alia, to target specific performance objectives and to provide an incentive for participants to achieve these targets. The directors believe that mm2 PSP will help to achieve the following positive objectives:

(a) foster an ownership culture with the Group which aligns the interests of Group Executives with the interests of Shareholders;

(b) motivate participants to achieve key financial and operational goals of the Company and/or their respective business units and encourage greater dedication and loyalty to the Group; and

(c) make total employee remuneration sufficiently competitive to recruit new participants and/or retain existing participants whose contributions are important to the long term growth and profitability of the Group.

mm2 PSP is administered by the Remuneration Committee (the "RC") which comprises three (3) directors, namely Mr. Tan Liang Pheng, Mr. Mak Chi Hoo and Mr. Lei Chee Kong Thomas.

mm2 PSP shall continue in force at the discretion of the RC, subject to a maximum period of ten (10) years commencing on the date on which mm2 PSP is adopted by the Company in general meeting, provided always that mm2 PSP may continue beyond the above stipulated period with the approval of Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

The Company may deliver shares pursuant to awards granted under mm2 PSP by way of:

(i) issuance of new shares;

(ii) delivery of existing shares purchased from the market or shares held in treasury; and/or

(iii) cash in lieu of shares, based on the aggregate market value of such shares.

DIRECTORS' STATEMENT

For the financial year ended 31 March 2017

mm2 Performance Share Plan (continued)

The total number of new shares which may be issued pursuant to awards granted under mm2 PSP, when added to (i) the number of new shares issued and issuable in respect of all awards granted thereunder; and (ii) all shares issued and issuable in respect of all options granted or awards granted under any other share incentive schemes or share plans adopted by the Company for the time being in force, shall not exceed 15% of the issued share capital of the Company's post-placement as well as on the day preceding the relevant date of award. The aggregate number of shares available under mm2 PSP shall not exceed 15% of the total issued share capital of the Company post-placement and from time to time.

On 31 May 2017, the Company has awarded a total of 959,400 shares pursuant to mm2 PSP at exercise price of $0.5980 per share to certain directors, key management personnel, and employees of the Group and Company. These awarded shares were vested immediately.

The details of the shares awarded under mm2 PSP to the directors of the Company are as follows:

Name of directors	Number of shares awards
Mr. Tan Liang Pheng	85,700
Mr. Chia Seng Hee, Jack	85,700
Mr. Lei Chee Kong Thomas	85,700
Mr. Mak Chi Hoo	85,700
	342,800

Audit Committee

The members of the Audit Committee (the "AC") at the end of the financial year were as follows:

Mr. Chia Seng Hee, Jack	Chairman of AC, Independent director
Mr. Tan Liang Pheng	Lead independent director
Mr. Lei Chee Kong Thomas	Independent director

The AC perform the functions in accordance with Section 201B(5) of the Singapore Companies Act, (the "Act"), the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual – Section B: Rules of Catalist ("Catalist Rules") and the Code of Corporate Governance. In performing those functions, the AC:

- review with the external auditors the audit plan, their audit report, their management letter and our management's response;
- review the audit plan of internal auditor, and internal auditor's review and evaluation of the Group's system of internal controls and accounting system;
- review the financial statements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;
- review the internal control and procedures, ensure co-ordination between the external auditors and the management, review the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of our management where necessary);
- review any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;

Audit Committee (continued)

- review, where applicable, the role and effectiveness of the internal audit procedures;
- review and approve interested person transactions and review procedures thereof;
- consider the appointment or re-appointment of the external auditors and matters relating to the resignation or dismissal of the external auditors and the internal auditor;
- undertake such other reviews and projects as may be requested by the Board of Directors and report to the Board its findings from time to time on matters arising and requiring the attention of the AC;
- review at least annually the Group's key financial risk areas, with a view to provide an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports of the Company or, where the findings are material, to announce such material findings immediately via SGXNet; and
- generally to undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

The AC confirmed that they have undertaken a review of all non-audit services provided by the independent auditor to the Group and is satisfied that the nature and extent of such services would not affect the independence of the independent auditor.

The AC has recommended to the Board of Directors that the independent auditor, Nexia TS Public Accounting Corporation, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent auditor

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the directors

Ang Wee Chye
Director

Tan Liang Pheng
Director

28 June 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of mm2 Asia Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **mm2 Asia Ltd.** (the "Company") and its subsidiary corporations (the "Group"), which comprise the balance sheet of the Group and the balance sheet of the Company as at 31 March 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 50 to 131.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet 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 March 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial 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 financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition – Exploitation of copyrights and license income
(Refer to Note 2.2.1(a)(i) and 2.2.1(b)(ii) to the financial statements)

Risk:

Revenue from the exploitation of copyrights and license income is driven by the specific terms of the related contracts. We focus on this area as the terms of the contracts are varied, complex and depends on the substance of the arrangement. As such, the revenue recognised in any given period requires judgement and consideration to each specific contract.

Our response:

In obtaining sufficient audit evidence, the following procedures were carried out:

- Discussion with management, including review of correspondence between lawyers and management, to understand the underlying principal, the substance of the arrangement and/or concept behind the contractual terms stipulated in the contractual agreements;
- We considered the group's revenue recognition policies against the relevant accounting standards;
- For higher value revenue contracts entered during the financial year, we consider whether revenue had been recognised in the correct accounting period, given the requirements of the relevant accounting standard; and
- Assessed the adequacy of revenue disclosures in the consolidated financial statements.

Key Audit Matters (continued)

Carrying value of goodwill
(Refer to Note 2.5, 3(c) and 20 to the financial statements)

Risk:

The Group has recognised goodwill arising from the business combination and allocated the goodwill to certain cash generating units ("CGUs"). The goodwill are assessed for impairment annually and whenever there is indication of that the goodwill may be impaired. Management applies the value-in-use method to determine the recoverable amount of goodwill. The recoverable of goodwill is highly dependent on management's forecasts and estimates which include, but not limited to, discount rate, growth rate and future projected cash flows.

We have focused on this area, due to the significance of the goodwill in relation to the total assets and the inherent uncertainty involved in forecasts and estimates, which forms the basis of the assessment of recoverability.

Our response:

In obtaining sufficient audit evidence, the following procedures were carried out:

- With the assistance of our internal valuation specialist, critically evaluated whether the model used by management to determine the recoverable amount of goodwill complies with FRS 36 *Impairment of Assets* and assessed the reasonableness of the growth rate and discount rate used;
- Analysed the future projected cash flows used in the model to determine whether they are reasonable and supportable given the current economic climate and expected future performance of the cash-generating unit;
- Evaluated the reasonableness and challenged the appropriateness of key assumptions used by the management, by comparing them against historical forecasts and performance, as well as publicly available market data; and
- Reviewed management's disclosures in the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

INDEPENDENT AUDITOR'S REPORT

To the Members of mm2 Asia Ltd.

Responsibilities of Management and Directors for the Financial Statements (continued)

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- 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.

- 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.

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

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 financial year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those 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 director on the audit resulting in this independent auditor's report is Philip Tan Jing Choon.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore
28 June 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2017

	Note	Group 2017 $'000	Group 2016 $'000
Revenue	4	95,721	38,338
Cost of sales		(50,467)	(19,952)
Gross profit		45,254	18,386
Other income	7	171	50
Other gains and losses - net	8	242	236
Expenses			
- Administrative		(19,207)	(8,295)
- Finance	9	(616)	(387)
		(19,823)	(8,682)
Share of loss of associated company	18	(7)	(*)
Profit before income tax		25,837	9,990
Income tax expense	10	(3,847)	(1,095)
Net profit		21,990	8,895
Other comprehensive loss, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation - losses	31(ii)	(526)	(545)
Total comprehensive income		21,464	8,350
Profit attributable to:			
Equity holders of the Company		18,758	8,176
Non-controlling interests		3,232	719
		21,990	8,895
Total comprehensive income attributable to:			
Equity holders of the Company		18,232	7,631
Non-controlling interests		3,232	719
		21,464	8,350
Earnings per share for profit attributable to equity holders of the Company (cents per share)			
Basic	11(a)	1.85	0.97
Diluted	11(b)	1.85	0.95

* Less than $1,000.

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

BALANCE SHEETS

As at 31 March 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
ASSETS					
Current assets					
Cash and cash equivalents	12	25,755	4,743	2,453	343
Trade and other receivables	13	46,265	24,416	48,665	21,966
Inventories and work-in-progress	14	653	264	–	–
Film products and films under production	15	23,394	9,831	–	–
Income tax recoverable		11	–	–	–
		96,078	39,254	51,118	22,309
Non-current assets					
Available-for-sale financial asset	16	–	250	–	–
Investments in subsidiary corporations	17	–	–	65,332	38,328
Investments in associated companies	18	1,493	–	1,493	–
Property, plant and equipment	19	11,184	3,648	–	–
Goodwill on acquisition	20	43,819	13,989	–	–
Film rights	21	5,561	8,811	–	–
Film intangibles and film inventories	22	3,513	2,281	–	–
Development of software	23	247	202	–	–
Deferred income tax assets	29	675	550	–	–
		66,492	29,731	66,825	38,328
Total assets		162,570	68,985	117,943	60,637
LIABILITIES					
Current liabilities					
Trade and other payables	24	46,636	23,805	28,636	1,656
Current income tax liabilities		5,603	3,051	–	–
Deferred income	25	2,922	557	–	–
Progress billing in excess of work-in-progress	14	749	604	–	–
Borrowings	26	6,223	232	2,500	–
		62,133	28,249	31,136	1,656
Non-current liabilities					
Borrowings	26	5,464	2,817	–	2,154
Deferred income tax liabilities	29	498	754	–	–
		5,962	3,571	–	2,154
Total liabilities		68,095	31,820	31,136	3,810
NET ASSETS		94,475	37,165	86,807	56,827
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	30	88,212	56,982	88,212	56,982
Reserves	31	(37,298)	(37,655)	–	446
Retained profits/(accumulated losses)	32	35,618	16,860	(1,405)	(601)
		86,532	36,187	86,807	56,827
Non-controlling interests	17	7,943	978	–	–
Total equity		94,475	37,165	86,807	56,827

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 March 2017

		← Attributable to equity holders of the Company →					
	Note	Share capital $'000	Reserves $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
2017							
Beginning of financial year		56,982	(37,655)	16,860	36,187	978	37,165
Profit for the year		–	–	18,758	18,758	3,232	21,990
Other comprehensive loss for the year		–	(526)	–	(526)	–	(526)
Total comprehensive income for the year		–	(526)	18,758	18,232	3,232	21,464
		56,982	(38,181)	35,618	54,419	4,210	58,629
Non-controlling interests arising from acquisition/ incorporation of subsidiary corporations		–	–	–	–	2,062	2,062
Dilution of interest in subsidiary corporation without loss of control	17	–	1,329	–	1,329	1,671	3,000
Issuance of new shares pursuant to conversion of exchangeable notes	30	2,644	–	–	2,644	–	2,644
Issuance of new shares pursuant to conversion of convertible notes		7,534	(446)	–	7,088	–	7,088
Issuance of new shares pursuant to placement agreement with StarHub Ltd	30	18,040	–	–	18,040	–	18,040
Issuance of new shares pursuant to acquire business from Mega Cinemas Management Sdn. Bhd.	30	3,012	–	–	3,012	–	3,012
End of financial year		88,212	(37,298)	35,618	86,532	7,943	94,475

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 March 2017

	Note	← Attributable to equity holders of the Company →					
		Share capital $'000	Reserves $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
2016							
Beginning of financial year		47,884	(37,387)	8,684	19,181	–	19,181
Profit for the year		–	–	8,176	8,176	719	8,895
Other comprehensive loss for the year		–	(545)	–	(545)	–	(545)
Total comprehensive income for the year		–	(545)	8,176	7,631	719	8,350
		47,884	(37,932)	16,860	26,812	719	27,531
Convertible bond - equity component	31	–	446	–	446	–	446
Net asset retained by non-controlling interests upon acquisition of a subsidiary corporation[a]	31	–	(169)	–	(169)	–	(169)
Non-controlling interests arising from acquisition/ incorporation of subsidiary corporations		–	–	–	–	259	259
Issuance of new shares pursuant to the conversion of exchangeable notes	30	1,208	–	–	1,208	–	1,208
Issuance of new shares pursuant to the conversion of convertible notes	30	2,890	–	–	2,890	–	2,890
Issuance of new shares pursuant to placement agreements	30	5,000	–	–	5,000	–	5,000
End of financial year		56,982	(37,655)	16,860	36,187	978	37,165

[a] These amounts were retained by non-controlling interests in respect of certain assets and liabilities not included in the acquisition of a subsidiary corporation in the financial year ended 31 March 2016.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2017

	Note	Group 2017 $'000	Group 2016 $'000
Cash flows from operating activities			
Net profit		21,990	8,895
Adjustments for:			
- Income tax expense	10	3,847	1,095
- Depreciation of property, plant and equipment	5	1,577	530
- Interest income	7	(29)	(11)
- Interest expense	9	616	387
- Amortisation of film rights	5	13,075	8,438
- Amortisation of film intangibles and film inventories	5	688	15
- Share of loss of associated company	18	7	*
- Property, plant and equipment written off	8	23	–
- Loss/(gain) on disposal of property, plant and equipment	8	1	(19)
- Allowance for impairment of trade receivables	5	36	143
- Unrealised currency translation loss/(gain)		350	(445)
- Gain on disposal of available-for-sale financial asset	8	(25)	–
		42,156	19,028
Changes in working capital, net of effects from acquisition of subsidiary corporations:			
- Trade and other receivables		(8,376)	(2,953)
- Inventories and work-in-progress		(389)	(46)
- Film products and films under production		(23,091)	(15,985)
- Film intangibles and film inventories		(1,974)	(2,256)
- Trade and other payables		553	(1,130)
- Deferred income		2,365	(589)
- Progress billing in excess of work-in-progress		145	386
Cash provided by/(used in) operations		11,389	(3,545)
Income tax paid		(1,963)	(86)
Net cash provided by/(used in) operating activities		9,426	(3,631)
Cash flows from investing activities			
Acquisition of a subsidiary corporation, net of cash acquired	38	(6,000)	(600)
Additions to film rights		(418)	–
Additions to development of software		(45)	(3)
Additions to property, plant and equipment		(9,675)	(1,079)
Deposit for acquisition of business assets		(498)	(76)
Interest received		29	11
Proceeds from disposal of property, plant and equipment		3,198	25
Proceeds from disposal of/(additions to) available-for-sale financial asset		275	(250)
Acquisition of business assets	38	(3,935)	(7,034)
Repayment of deferred consideration		(9,356)	–
Net cash used in investing activities		(26,425)	(9,006)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2017

	Note	Group 2017 $'000	Group 2016 $'000
Cash flows from financing activities			
Fixed deposit pledged to bank		(356)	(439)
Interest paid		(533)	(240)
Proceeds from issuance of shares	30	18,040	6,223
Proceeds from issuance of convertible bonds		10,500	5,475
Proceeds from borrowings		11,769	482
Repayment of borrowings		(1,449)	(279)
Repayment of lease liabilities		(63)	(53)
Net cash provided by financing activities		37,908	11,169
Net increase/(decrease) in cash and cash equivalents		20,909	(1,468)
Cash and cash equivalents			
Beginning of financial year		4,133	5,674
Effects of currency translation on cash and cash equivalents		(184)	(73)
End of financial year	12	24,858	4,133

* Less than $1,000

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

NOTES TO THE FINANCIAL STATEMENTS

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

1 GENERAL INFORMATION

The Company

mm2 Asia Ltd. (the "Company") is listed on Catalist, the sponsor-supervised listing platform of SGX-ST and incorporated and domiciled in Singapore. The address of its registered and principal place of business is located at 1002 Jalan Bukit Merah #07-11 Singapore 159456. The consolidated financial statements are presented in Singapore Dollar and all values are rounded to the nearest thousand ($'000) except otherwise indicated.

The principal activity of the Company is investment holding. The principal activities of the subsidiary corporations and associated companies are described in Note 17 and Note 18 to the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

<u>Interpretations and amendments to published standards effective for the financial year beginning on or after 1 April 2016</u>

On 1 April 2016, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years.

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities. Revenue is presented, net of goods and services tax ("GST"), rebates and discounts, and after eliminating sales within the Group.

The Group assesses its role as an agent or principal for each transaction and in an agency arrangement the amounts collected on behalf of the principal are excluded from revenue. The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Revenue recognition (continued)

2.2.1 Core business

Core business segment refers to the Group's production and distribution of motion picture, video and television programme and sponsorship.

(a) Production income

*(i) Revenue from the exploitation of copyrights**

Revenue is recognised at the point of time when a fixed fee on non-refundable guarantee under a non-cancellable contract has been entered, which permits the customer to exploit those rights freely and the Group has no remaining obligations to perform.

* Copyrights refers to copyrights and all other rights attached therein.

(ii) Producer fee income and consultancy income

Producer fee income from production of movies, entertainment events and Television ("TV") programmes and consultancy income are recognised in the period in which the relevant services are rendered.

(b) Distribution income

(i) Revenue from distribution of films

Distribution of films to movie distributors and/or theatres and circuits are recognised when the films are exhibited. After the payment of taxes, other charges and deductions by movie distributors and/or theatres and circuits of their respective share of the box office sales, the net proceeds (the "Distributable Amount") are remitted to the Group. Revenue is recognised from distribution of film during the period when the movie is released.

(ii) License income

License income earned from films licensed for a fixed fee under a non-cancellable contract, where an assignment is granted to the licensee which permits the licensee to exploit those film rights freely over the period of time and/or in any designated territory and where the Group has no remaining obligations to perform and when the film materials have been delivered to licensees. Revenue is recognised when the services are rendered to the licensee and where the Group has no remaining obligation to perform.

(c) Sponsorship income

The Group derives revenue from sponsorships associated with the production of films. Sponsorship fees relate to a one-time event. Revenue from a one-time event is recognised if (i) pervasive evidence of an arrangement exists; (ii) the event has occurred; (iii) the price is fixed or determinable; and (iv) collectability is reasonably assured. Sponsorship advances are deferred until earned pursuant to the sponsorship agreement and are presented as "Deferred income" on the balance sheet. Revenue is recognised when the services are rendered and when the Group has no remaining obligation to perform.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Revenue recognition (continued)

2.2.2 Post-production

Post-production segment refers to the services in 3D stereoscopic animation, 3D animation and visual effects for feature films and commercials. They are mainly related to motion picture, video and television programme post-production activities.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria are met as follows:

Rendering of service – post-productions services

Revenue from post-productions and advertisement services are recognised in the period in which the relevant services are rendered.

2.2.3 Cinema operation

Cinemas operating segments relating to sales of cinemas exhibitions, confectionery and others.

(a) *Exhibition*

Income from box office takings is recognised on the date of the showing of the film it relates to.

(b) *Confectionery*

Income from confectionery sales is recognised on the point of sales.

(c) *Other cinema operations*

Other cinema operations consist of income from hall rental, screen advertising and ticket booking fee. Revenue is recognised in the period to it relates to.

2.2.4 Event production and concert promotion

Event production and concert promotion segments relating to sales of production, promotion and others.

(a) *Production*

(i) *Supply of equipment*

Revenue from renting of stage sound system and equipment are recognised upon completion of the events, otherwise it is recognised on a straight-line basis over the contractual period.

(ii) *Rendering of services*

Revenue from the rendering of technical services is recognised when the services are rendered upon completion of the events, otherwise it is recognised on a straight-line basis over the contractual period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Revenue recognition (continued)

2.2.4 Event production and concert promotion (continued)

(b) Promotion

(i) Admission fees and sponsorship

Revenue from artistic performances and other special events, including the related sponsorship received is recognised when the events take place. When subscriptions to a number of events is sold, the fee is allocated to each event on a basis where reflects the extent to which services are performed at each event.

(ii) Other Promotion

Revenue from trading of performance rights is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

(c) Other event production and concert promotion

(i) Revenue from the co-management of exhibition/concert halls are recognised upon completion of the events, otherwise it is recognised on a straight-line basis over the contractual period.

(ii) Revenue from renting exhibition/concert halls related equipment are recognised upon completion of the events, otherwise it is recognised on a straight-line basis over the contractual period.

2.2.5 Others

Others consist of revenue from café operations, social media advertising activities and development of software for interactive digital media.

2.2.6 Interest income

Interest income is recognised using the effective interest method.

2.2.7 Dividend Income

Dividend income is recognised when the right to receive payment is established.

2.2.8 Other income

The income from post editing services, talent fee, formatting fee and management fee is recognised when services are rendered and the amount of income and cost incurred or to be incurred in respect of the transaction can be measured reliably.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting

(a) Subsidiary corporations

(i) Consolidation

Subsidiary corporations are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transactions provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary corporation's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary corporation, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous held equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the Note 2.5 "Goodwill on acquisition" for the subsequent accounting policy on goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting (continued)

(a) Subsidiary corporations (continued)

(ii) Acquisitions (continued)

Acquisitions of entities under common control have been accounted for using the pooling-of-interest method. Under this method:

- The consolidated financial statements of the Group have been prepared as if the Group structure immediately after the transaction has been in existence since the earliest date the entities are under common control;
- The assets and liabilities are brought into the consolidated financial statements at their existing carrying amounts from the perspective of the controlling party;
- The consolidated statement of comprehensive income includes the results of the acquired entities since the earliest date the entities are under common control;
- The cost of investment is recorded at the aggregate of the nominal value of the equity shares issued, cash and cash equivalents and fair values of other consideration; and
- On consolidation, the difference between the cost of investment and the nominal value of the share capital of the merged subsidiary corporations is taken to merger reserve.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to Note 2.10 "Investment in subsidiary corporations and associated companies" for the accounting policy on investment in subsidiary corporations in the separate financial statements of the Company.

(b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary corporation that do not result in a loss of control over the subsidiary corporation are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interests and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

(c) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting (continued)

(c) Associated companies (continued)

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) Acquisitions

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies represents the excess of the cost of acquisition of the associated company over the Group's share of the fair value of the identifiable net assets of the associated company and is included in the carrying amount of the investments.

(ii) Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company equals to or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) Disposals

Investments in associated companies are derecognised when the Group loses significant influence. If the retained equity interest in the former associated company is a financial asset, the retained equity interest is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to the Note 2.10 "Investments in subsidiary corporations and associated companies" for the accounting policy on investments in associated companies in the separate financial statements of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is 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.

(b) Depreciation

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Motor vehicles	5 years
Computers, office equipment and furniture and fittings	2.5 - 10 years
Tools and equipment	3 - 10 years
Rental equipment	3 - 10 years
Machinery	5 years
Renovation	3 - 10 years
Leasehold property	92 years (remaining lease term)

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

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

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other gains/losses - net".

2.5 Goodwill on acquisition

Goodwill on acquisitions of subsidiary corporations and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Goodwill on acquisition (continued)

Goodwill on subsidiary corporations is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on acquisition of associated companies represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associated companies is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiary corporations and associated companies include the carrying amount of goodwill relating to the entity sold. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognised in profit or loss on disposal.

2.6 Film rights

Film rights are stated at cost less accumulated amortisation and accumulated impairment losses. Film rights, less estimated residual value and accumulated impairment losses, are amortised in proportion to the estimated projected revenues over their economic beneficial period subject to a maximum of five (5) years. Additional amortisation and/or impairment loss is made if future estimated projected revenues are adversely different from the previous estimation. Estimated projected revenues are reviewed at regular intervals.

2.7 Film intangibles and film inventories

Film intangibles and film inventories comprise of rights and films in development acquired by the Group. It is amortised over the economic beneficial period subject to the maximum of the licence period when the film is released.

2.8 Development of software

Research costs are recognised as an expense when incurred. Costs directly attributable to the development of computer software are capitalised as intangible assets only when technical feasibility of the project is demonstrated, the Group has an intention and ability to complete and use the software and the costs can be measured reliably. Such costs include purchases of materials and services and payroll-related costs of employees directly involved in the project.

2.9 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

2.10 Investments in subsidiary corporations and associated companies

Investments in subsidiary corporations and associated companies are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.11 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Impairment of non-financial assets (continued)

(a) Goodwill (continued)

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) Property, plant and equipment
Film rights
Film intangibles and film inventories
Development of software
Investments in subsidiary corporations and associated companies

Property, plant and equipment, film rights, film intangibles and film inventories, development of software and investment in subsidiary corporations and associated companies are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2.12 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale financial asset. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at the initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at each balance sheet date.

At the end of financial year, the Group does not hold any of the financial assets except for loans and receivables and available-for-sale financial assets.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "Trade and other receivables" (Note 13) and "Cash and cash equivalents" (Note 12) on the balance sheets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial assets (continued)

(a) Classification (continued)

(ii) Available-for-sale financial asset

Available-for-sale financial asset is non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

(d) Subsequent measurement

Available-for-sale financial asset is subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest and dividend income on available-for-sale financial asset is recognised separately in income. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in other comprehensive income and accumulated in the fair value reserve. Changes in the fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

(e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial assets (continued)

(e) Impairment (continued)

(i) Loans and receivables (continued)

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) Available-for-sale financial asset

In addition to the objective evidence of impairment described in Note 2.12(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If there is objective evidence of impairment, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss. The amount of cumulative loss that is reclassified is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. The impairment losses recognised as an expenses for an equity security are not reversed through profit or loss in subsequent period.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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.

2.14 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

(a) Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(b) Convertible bonds

The total proceeds from convertible bonds issued are allocated to the liability component and the equity component which are separately presented on the balance sheet.

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible bonds. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the bonds.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Borrowings (continued)

(b) Convertible bonds (continued)

The difference between the total proceeds and the liability component is allocated to the embedded equity conversion option (equity component), which is presented in equity net of any deferred tax effect. The carrying amount of the conversion option is not adjusted in subsequent periods. When the conversion option is exercised, the carrying amounts of the liability and equity components are transferred to the share capital. When the conversion option lapses, its carrying amount is transferred to retained profits.

2.15 Financial guarantees

The Company has issued corporate guarantees to banks for borrowings and banking facilities of its subsidiary corporations and associated companies. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiary corporations and associated companies fail to make principal or interest payments when due in accordance with the terms of their borrowings and banking facilities.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiary corporations and associated companies' borrowings and banking facilities, unless it is probable that the Company will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank in the Company's balance sheet.

Intragroup transactions are eliminated on consolidation.

2.16 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.17 Fair value estimation of financial assets and liabilities

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Leases

(a) When the Group is the lessee:

The Group leases motor vehicles and office equipment under finance leases from non-related parties and office space and apartments under operating leases from related and non-related parties.

(i) Lessee – Finance lease

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) Lessee – Operating lease

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

(b) When the Group is the lessor:

The Group leases stage sound system and equipment under operating leases to related parties and non-related parties.

Lessor – Operating lease

Leases of equipment where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

2.19 Film products and films under production

Film products are stated at cost less accumulated impairment losses. Film products pending theatrical release are included in current assets. Upon first theatrical release, these film products are reclassified as film rights and are included in non-current assets. Cost of film products, accounted for on a film-by-film basis includes production costs, costs of services, direct labour costs and facilities in the creation of a film.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Film products and films under production (continued)

Films under production include production costs, costs of services, direct labour costs and facilities in the creation of films. Upon completion, these films under production are reclassified as film products. Films under production are accounted for on a film-by-film basis and are stated at cost less any accumulated impairment losses.

An impairment loss is made if there has been a change in the estimate used to determine the recoverable amount and the carrying amount exceeds the recoverable amount.

2.20 Inventories

Inventories are carried at lower of cost and net realisable value. Cost is determined using the first-in first-out method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Cost also includes any gains or losses on qualifying cash flow hedges of foreign currency purchases of inventories. Net realisable value is the estimated selling price in the ordinary course of business less selling expenses.

2.21 Work-in-progress

Work-in-progress is measured at cost to date less progress billings and recognised losses. Cost includes all direct material and labour costs, equipment and sub-contracting services, together with appropriate overhead expenses. Provision for foreseeable losses on uncompleted contracts is made in the financial year in which such losses are determined.

Work-in-progress is included in current assets in the balance sheet for all contract in which costs incurred exceed progress billings. If progress billings exceed costs incurred, then the difference is presented as “progress billings in excess of work-in-progress” and is included in current liabilities in the balance sheet.

2.22 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences, arising on investment in subsidiary corporations and associated companies, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Income taxes (continued)

Current and deferred income taxes are recognised as income and expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2.23 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in profit or loss 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.

2.24 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund in Singapore, Employee Provident Fund in Malaysia and Mandatory Provident Fund in Hong Kong on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision when contractually obliged to pay or when there is a past practice that has created a constructive obligation to pay.

(c) Performance shares

Benefits to employees including the directors are provided in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions"). The fair value of the employee services rendered is determined by reference to the fair value of the shares awarded or rights granted, excluding the impact of any non-market vesting conditions. These are fair valued based on the market price of the entity's share on grant date. This fair value is charged to profit or loss over the vesting period of the share-based payment scheme, with the corresponding increase in equity. The value of the charge is adjusted in profit or loss over the remainder of the vesting period to reflect expected and actual quantities vested, with the corresponding adjustment made in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Employee compensation (continued)

(c) *Performance shares (continued)*

Cancellations of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted for as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in profit or loss.

(d) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to balance sheet date.

2.25 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollar ("SGD"), which is the functional currency of the Company.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within "finance expense". All other exchange gains and losses impacting profit or loss are presented in the statement of comprehensive income within "other gains and losses - net".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) *Translation of Group entities' financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the balance sheet date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Currency translation (continued)

(c) Translation of Group entities' financial statements (continued)

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.26 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker whose members are responsible for allocating resources and assessing performance of the operating segments.

2.27 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.28 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.29 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances.

(a) Amortisation of film rights

The costs of film rights less residual values, are amortised in proportion to the estimated projected revenues over the economic beneficial period subject to a maximum of five (5) years. Additional amortisation is made if estimated projected revenues are materially different from the previous estimation.

Management bases its estimates of total projected revenues of each film on the historical performance of similar films, incorporating factors such as the past box office record of the leading actors and actresses, the genre of the film, anticipated performance in the home entertainment, television and other ancillary markets, and agreements for future sales and exploitations.

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

(a) Amortisation of film rights (continued)

These estimated projected revenues can change significantly due to a variety of factors. Based on information available on the actual results of films, management reviews and revises, when necessary, the estimated projected revenues at regular intervals. Such change in revenue projections or estimations may result in a change in the rate of amortisation of the assets. This could have an impact on the Group's results of operations. The carrying amounts of film rights as at 31 March 2017 and 2016 are disclosed in Note 21 to the financial statements.

If the estimated projected revenues differ by 10% from management's estimates, the carrying amount of the film rights would have been lower by $387,000 (2016: $843,800) as at 31 March 2017 and 2016.

(b) Impairment of loans and receivables

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management has made judgements as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the media and information communication industry market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management has made judgements as to whether an impairment loss should be recorded as an expense. In determining this, management has used estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

If the net present values of estimated cash flows had been lower by 10% from management's estimates for all past due loans and receivables, the allowance for impairment of the Group would have been higher by $2,621,000 (2016: $1,945,000) respectively.

(c) Impairment of goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. The recoverable amount of these assets and where applicable, CGU have been determined based on value-in use calculations. These calculations require the use of estimates (Note 20).

<u>For its goodwill attributable to post-production CGU:</u>

If the management's estimated growth rate used in the value-in-use calculation for this CGU had declined by 52.51% (2016: 24.95%), or the estimated pre-tax discount rate applied to the discounted cash flows for this CGU had been raised by 35.68% (2016: 24.29%), the recoverable amount of the CGU would equal to the carrying amount.

<u>For its goodwill attributable to cinema business CGU:</u>

If the management's estimated growth rate used in the value-in-use calculation for this CGU had declined by 4.44% (2016: Nil%), or the estimated pre-tax discount rate applied to the discounted cash flows for this CGU had been raised by 14.68% (2016: Nil%), the recoverable amount of the CGU would equal to the carrying amount.

4 REVENUE

	Group 2017 $'000	Group 2016 $'000
Core business		
- Production	46,487	21,700
- Distribution	9,326	6,027
- Sponsorship	799	2,113
	56,612	29,840
Post-production	3,515	3,617
Cinema operation		
- Exhibition	8,582	3,734
- Confectionery	2,368	905
- Other cinema operations	1,647	242
	12,597	4,881
Event production and concert promotion		
- Production	7,422	–
- Promotion	14,910	–
- Other event production and concert promotion	630	–
	22,962	–
Others	35	–
	95,721	38,338

5 EXPENSES BY NATURE

	Group	
	2017	2016
	$'000	$'000
Amortisation of film rights (Note 21)	13,075	8,438
Amortisation of film intangibles and film inventories (Note 22)	688	15
Production and distribution of film costs[(a)]	15,887	9,125
Artiste fee	5,102	–
Concert hosting/manpower	6,719	–
Equipment rental	522	–
Employee compensation (Note 6)	10,004	4,359
Depreciation of property, plant and equipment (Note 19)	1,577	530
Travelling and transportation	840	181
Film rental expenses	4,299	1,811
Rental expense on operating leases	3,024	1,224
Professional fees	1,565	1,298
Utilities	874	288
Allowance for impairment of trade receivables (Note 35(b)(ii))	36	143
Cleaning services	271	111
Upkeep of property, plant and equipment	828	242
Halls related expenditure	810	–
Royalties	422	–
Purchase of inventories	1,287	282
Changes in inventories	(141)	(47)
Others	1,985	247
Total cost of sales and administrative expenses	69,674	28,247

(a) Production and distribution of film costs include subcontracting costs, artiste fee, copyright fees, transport, rental of equipment, share of the net receipts from the exploitation of copyrights and overhead costs.

6 EMPLOYEE COMPENSATION

	Group	
	2017	2016
	$'000	$'000
Wages and salaries	8,768	3,879
Employer's contribution to defined contribution plans	784	330
Other short-term benefits	452	150
	10,004	4,359

7 OTHER INCOME

	Group	
	2017	2016
	$'000	$'000
Interest income from bank deposits	29	11
Government grants[a]	97	39
Miscellaneous income	45	–
	171	50

[a] Government grant includes M-assist grant from Media Development Authority of Singapore ("MDA"), spring grant, wage credit scheme, temporary employment credit, and special government credit.

8 OTHER GAINS AND LOSSES - NET

	Group	
	2017	2016
	$'000	$'000
Currency exchange gains – net	69	217
(Loss)/gain on disposal of property, plant and equipment	(1)	19
Property, plant and equipment written off	(23)	–
Gain on disposal of available-for-sale financial asset	25	–
Waiver of non-trade debts due to directors of a subsidiary corporation	172	–
	242	236

9 FINANCE EXPENSES

	Group	
	2017	2016
	$'000	$'000
Interest expense on:		
- Bank overdrafts	1	2
- Bank borrowings	573	30
- Convertible bonds	36	66
- Finance lease liabilities	6	4
- Amount owing to non-related parties	–	138
- Unwinding of discount on deferred consideration (Note 24)	–	147
	616	387

10 INCOME TAXES

	Group	
	2017	2016
	$'000	$'000
Tax expense attributable to profit is made up of:		
- Profit for the financial year:		
Current income tax		
- Singapore	4,461	1,503
- Foreign	402	13
	4,863	1,516
Deferred income tax	(532)	43
	4,331	1,559
- (Over)/under provision in prior financial years:		
Current income tax		
- Singapore	(513)	1,287
- Foreign	–	10
	(513)	1,297
Deferred income tax	29	(1,761)
	(484)	(464)
	3,847	1,095

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group	
	2017	2016
	$'000	$'000
Profit before tax	25,837	9,990
Tax calculated at tax rate of 17% (2016: 17%)	4,392	1,698
Effects of:		
- Different tax rates in other countries	(73)	8
- Expenses not deductible for tax purposes	663	117
- Income not subject to tax	(223)	(17)
- Enhanced allowance	(249)	(125)
- Tax incentives and rebates	(160)	(132)
- Under/(over) provision of deferred tax in prior financial years	29	(1,761)
- (Over)/under provision of income tax in prior financial years	(513)	1,297
- Merger and acquisition allowance	(29)	–
- Others	10	10
Tax charge	3,847	1,095

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2017	**2016**
Net profit attributable to equity holders of the Company ($'000)	18,758	8,176
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	1,013,640	*840,834
Basic (cents per share)	1.85	0.97

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. As at 31 March 2016, the Company has one category of dilutive potential ordinary shares: convertible bonds.

Convertible bonds are assumed to have been converted into ordinary shares at issuance and the net profit is adjusted to eliminate the interest expense less the tax effect.

	Group	
	2017	**2016**
Net profit attributable to equity holders of the Company ($'000)	18,758	8,176
Interest expense on convertible bonds, net of tax ($'000)	–	35
Net profit used to determine diluted earnings per share ($'000)	18,758	8,211
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	1,013,640	*840,834
Adjustments for convertible bonds ('000)	–	*19,036
	1,013,640	859,870
Diluted (cents per share)	1.85	0.95

There were no dilutive potential ordinary shares during financial year.

* The weighted average number of ordinary shares outstanding and convertible bonds for the financial year ended 31 March 2016 have been retrospectively adjusted to reflect the effects of the share split exercise completed on 14 October 2016, thus, resulted in adjusted basic and diluted earnings per share.

12 CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Cash at bank and on hand	24,679	4,223	2,453	343
Short-term bank deposits	1,076	520	–	–
	25,755	4,743	2,453	343

For the purpose of presenting in the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	2017	2016
	$'000	$'000
Cash and bank balances (as above)	25,755	4,743
Less: Bank deposits pledged	(897)	(520)
Less: Bank overdrafts (Note 26)	–	(90)
Cash and cash equivalents per consolidated statement of cash flows	24,858	4,133

Bank deposits are pledged in relation to the security granted for certain borrowings (Note 26) and banking facilities.

Please refer to Note 38 for the effects of acquisitions of subsidiary corporation on the cash flows of the Group.

13 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Trade receivables				
- Non-related parties	35,305	19,588	–	–
- Associated companies	2,038	1,363	–	–
	37,343	20,951	–	–
Less: Allowance for impairment of trade receivables (Note 35(b)(ii))				
- non-related parties	(179)	(143)	–	–
Trade receivables - net	37,164	20,808	–	–
Other receivables				
- Non-related parties	937	376	121	*
- Related parties	129	–	128	–
- Associated companies	819	94	225	–
- Subsidiary corporations	–	–	47,655	21,945
	1,885	470	48,129	21,945
Deposits[a]	3,142	1,956	522	6
Prepayments	491	1,182	14	15
Accrued income	202	–	–	–
Deferred expenses[b]	3,381	–	–	–
	46,265	24,416	48,665	21,966

* Less than $1,000

13 TRADE AND OTHER RECEIVABLES (continued)

The non-trade amounts due from subsidiary corporations and associated companies are unsecured, interest-free and repayable on demand.

(a) Deposits mainly pertains to a refundable deposit to acquire the rights of a film of approximately $1,200,000 and rental deposit for cinema premises of approximately $498,000.

(b) Deferred expenses mainly pertains to cost incurred for uncompleted events in relation to event production and concert promotion segment of approximately $2,200,000 and deferred cost incurred for the subsidiary corporation's initial public offering.

14 INVENTORIES AND WORK-IN-PROGRESS

	Group	
	2017	**2016**
	$'000	**$'000**
Work-in-progress	465	217
Finished goods		
- Trading goods[a]	79	47
- Consumable goods[b]	109	–
	653	264

(a) Relating to food and beverage of cinema operations and café business.

(b) Relating to consumable goods of event production and concert promotion.

The cost of inventories recognised as an expense and included in "cost of sales" amounted to $1,146,000 (2016: $235,000).

	Group	
	2017	**2016**
	$'000	**$'000**
Work-in-progress		
Aggregate costs incurred	3,778	755
Less: Progress billing	(4,062)	(1,142)
	(284)	(387)
Presented as:		
Work-in-progress	465	217
Progress billing in excess of work-in-progress	(749)	(604)
	(284)	(387)

15 FILM PRODUCTS AND FILMS UNDER PRODUCTION

	Group	
	2017	**2016**
	$'000	**$'000**
Film products (Note 15(a))	–	–
Films under production (Note 15(b))	23,394	9,831
	23,394	9,831

The movement for film products and films under production are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
(a) *Film products*		
Beginning of financial year	–	–
Transfer from films under production (Note 15(b))	9,450	10,927
Transfer to film rights (Note 21)	(9,450)	(10,927)
End of financial year	–	–
(b) *Films under production*		
Beginning of financial year	9,831	4,773
Currency translation differences	(78)	–
Additions	23,383	15,985
Transfer to film products (Note 15(a))	(9,450)	(10,927)
Disposal	(292)	–
End of financial year	23,394	9,831

16 AVAILABLE-FOR-SALE FINANCIAL ASSET

	Group	
	2017	**2016**
	$'000	**$'000**
Beginning of financial year	250	–
Additions	–	250
Disposal	(250)	–
End of financial year	–	250

Available-for-sale financial asset are analysed as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Unquoted equity securities – Singapore	–	250

The fair value of unquoted equity securities is approximate cost (Note 35(e)).

17 INVESTMENTS IN SUBSIDIARY CORPORATIONS

	Company 2017 $'000	Company 2016 $'000
Equity investments at cost		
Beginning of financial year	38,328	37,498
Additions	27,004	830
End of financial year	65,332	38,328

The Group had the following subsidiary corporations as at 31 March 2017 and 2016:

Name of companies	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held by the Group 2017 %	Proportion of ordinary shares held by the Group 2016 %	Proportion of ordinary shares held by the parent 2017 %	Proportion of ordinary shares held by the parent 2016 %	Proportion of ordinary shares held by non-controlling interests 2017 %	Proportion of ordinary shares held by non-controlling interests 2016 %
Held by Company								
mm2 Entertainment Pte. Ltd.[(a)]	Motion picture, video and television programme and production activities	Singapore	100	100	100	100	–	–
mm2 Entertainment Sdn. Bhd.[(b) (d) (h)]	Motion picture, video and television programme and production activities	Malaysia	100	100	100	100	–	–
mm2view Pte. Ltd.[(a)]	Development of software for interactive digital media	Singapore	70	70	70	70	30	30
UnUsUaL Management Pte. Ltd.[(b) (g)]	Investment holding company	Singapore	51	–	51	–	49	–
Dick Lee Asia Pte. Ltd.[(a)]	Dramatic arts, music and other arts production-related activities	Singapore	51	–	51	–	49	–

17 INVESTMENTS IN SUBSIDIARY CORPORATIONS (continued)

The Group had the following subsidiary corporations as at 31 March 2017 and 2016 (continued):

Name of companies	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by the parent		Proportion of ordinary shares held by non-controlling interests	
			2017	2016	2017	2016	2017	2016
			%	%	%	%	%	%
Held by mm2 Entertainment Pte. Ltd.								
mm2 Entertainment Hong Kong Limited[(c) (h)]	Motion picture, video and television programme and production activities	Hong Kong	100	100	–	–	–	–
Vividthree Productions Pte. Ltd.[(a)]	Motion picture, video and television programme post-production activities	Singapore	51	51	–	–	49	49
mm2 Screen Management Sdn. Bhd.[(b) (d) (h)]	Cinema management and operation activities	Malaysia	100	100	–	–	–	–
2mm Pte. Ltd.[(a)]	Café operation, dramatic arts, music and other arts activities	Singapore	100	–	–	–	–	–
mm2 Entertainment USA, Inc.[(b) (g)]	Motion picture, video and television programme and production activities	United States of America	100	–	–	–	–	–
mm2 International Pte. Ltd.[(b) (g)]	Motion picture, video and television programme and production activities	People Republic of China	100	–	–	–	–	–
Held by mm2 Screen Management Sdn. Bhd.								
mm2 Star Screen Sdn. Bhd.[(b) (g)]	Cinema management and operation activities	Malaysia	100	–	–	–	–	–
Held by UnUsUaL Management Pte. Ltd. [(j)]								
UnUsUaL Limited. (formerly known as UnUsUaL Pte. Ltd.)[(a) (i)]	Investment holding	Singapore	49.35	–	–	–	50.65	–

17 INVESTMENTS IN SUBSIDIARY CORPORATIONS (continued)

The Group had the following subsidiary corporations as at 31 March 2017 and 2016 (continued):

Name of companies	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by the parent		Proportion of ordinary shares held by non-controlling interests	
			2017	2016	2017	2016	2017	2016
			%	%	%	%	%	%
Held by UnUsUaL Limited. (formerly known as UnUsUaL Pte.Ltd.)								
UnUsUaL Productions Pte. Ltd.(a) (i)	Rental of stage lighting, sound systems, audio equipment and light system installation and its related services	Singapore	49.35	–	–	–	50.65	–
UnUsUaL Development Pte. Ltd.(a) (i)	Leasing of premises to customers to hold activities and other related services	Singapore	49.35	–	–	–	50.65	–
UnUsUaL Entertainment Pte. Ltd.(a) (i)	Organising and promoting all kinds of shows, entertainment acts and other related services	Singapore	49.35	–	–	–	50.65	–
UnUsUaL Entertainment International Limited(b) (e) (i)	Provision of concert production services, artiste services, lease of stage equipment and investment in concert production	Hong Kong	49.35	–	–	–	50.65	–
UnUsUaL Productions (M) Sdn. Bhd.(b) (f) (i)	Organising and management of events	Malaysia	49.35	–	–	–	50.65	–

(a) Audited by Nexia TS Public Accounting Corporation.

(b) For the purpose of preparing the consolidated financial statements, these financial statements have been audited by Nexia TS Public Accounting Corporation.

(c) Audited by Fan, Chan & Co (Hong Kong), a network member firm of Nexia International for local statutory purposes.

17 INVESTMENTS IN SUBSIDIARY CORPORATIONS (continued)

(d) Audited by C. C. Lee & Associates (Malaysia) for local statutory purposes.

(e) Audited by KYY & CO (Hong Kong) for local statutory purposes.

(f) Audited by STH & CO (Malaysia) for local statutory purposes.

(g) Not required to be audited for the current financial year as the subsidiary corporation is newly incorporated.

(h) In accordance to Rule 716 of the SGX-ST Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiary corporations would not compromise the standard and effectiveness of the audit of the Company.

(i) On 9 January 2017, the subsidiary corporation had changed its financial year end from 31 December to 31 March.

(j) On 29 December 2016, the company had transfer its 51% equity interest in UnUsUaL Limited. (formerly known as UnUsUaL Pte. Ltd.) to its newly incorporated subsidiary corporation, UnUsUaL Management Pte. Ltd..

Dilution of interests in a subsidiary corporation without loss on control

On 24 March 2017, the convertible notes of UnUsUaL Limited. (formerly known as UnUsUaL Pte. Ltd.) totaling of $3 million was exercised and converted into 17,647,059 ordinary shares pursuant to the term and conditions of notes (Note 27(i)). As a result, the immediate holding company, UnUsUaL Management Pte. Ltd.'s shareholdings is reduced from 100% to 96.77% and the Company's indirect shareholdings diluted from 51% to 49.35%. This dilution exercise do not result in loss of control over the subsidiary corporations.

The effect of dilution of interests in a subsidiary corporation without loss on control are summarised as follows:

	2017 $'000
Carrying amount of non-controlling interests ("NCI")	(1,671)
Conversion of convertible notes from NCI (Note 27)	3,000
Excess recognised in equity attributable to equity holders of the Company	1,329

Carrying value of non-controlling interests

	2017 $'000	2016 $'000
Vividthree Productions Pte. Ltd.	1,426	778
UnUsUaL Limited. (formerly known as UnUsUaL Pte. Ltd.)	6,251	–
Other subsidiary corporations with immaterial non-controlling interest	266	200
	7,943	978

Summarised financial information of subsidiary corporations with material non-controlling interests

Set out below are the summarised financial information for each subsidiary corporation that have non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

There were no transactions with non-controlling interests for the financial year ended 31 March 2017 and 2016.

17 INVESTMENTS IN SUBSIDIARY CORPORATIONS (continued)

Summarised balance sheets

	UnUsUaL Limited. and its subsidiary corporations	Vividthree Productions Pte. Ltd.		mm2view Pte. Ltd.[1]
	2017	2017	2016	2016
	$'000	$'000	$'000	$'000
Current				
Assets	16,393	3,660	2,383	390
Liabilities	(11,082)	(1,734)	(1,741)	(68)
Total current net assets	5,311	1,926	642	322
Non-current				
Assets	6,942	1,256	1,320	203
Liabilities	(63)	(208)	(310)	–
Total non-current net assets	6,879	1,048	1,010	203
Net assets	12,190	2,974	1,652	525

Summarised statements of comprehensive income

	UnUsUaL Limited. and its subsidiary corporations[2] for the financial period ended 31 March	Vividthree Productions Pte. Ltd. for the financial year ended 31 March		mm2view Pte. Ltd.[1] for the financial year ended 31 March
	2017	2017	2016	2016
	$'000	$'000	$'000	$'000
Revenue	22,613	5,424	4,027	33
Profit/(loss) before income tax	6,018	1,405	1,579	(25)
Income tax expense	–	(83)	(111)	–
Total comprehensive income/(loss), representing net profit/(loss)	5,214	1,322	1,468	(25)
Total comprehensive income allocated to non-controlling interests	2,641	648	719	–

17 INVESTMENTS IN SUBSIDIARY CORPORATIONS (continued)

Summarised statements of cash flows

	UnUsUaL Limited. and its subsidiary corporations[2] for the financial period ended 31 March 2017 $'000	Vividthree Productions Pte. Ltd. for the financial year ended 31 March 2017 $'000	Vividthree Productions Pte. Ltd. for the financial year ended 31 March 2016 $'000	mm2view Pte. Ltd.[1] for the financial year ended 31 March 2016 $'000
Net cash provided by/(used in) operating activities	8,852	1,043	746	(543)
Net cash used in investing activities	(2,645)	(305)	(280)	–
Net cash (used in)/provided by financing activities	(471)	(632)	(723)	550
Net increase/(decrease) in cash and cash equivalents	5,736	106	(257)	7
Translation differences	(17)	–	–	–
Cash and cash equivalents at beginning of the year/date of acquisition	4,544	503	760	–
Cash and cash equivalents at end of the year	10,263	609	503	7

(1) The directors are of the opinion that the financial performance and financial position of mm2view Pte. Ltd. for the financial year ended and as at 31 March 2017 are not material to the Group.

(2) Summarised statements of comprehensive income and cash flows of UnUsUaL Limited. and its subsidiary corporations pertains to the financial period from 11 August 2016 to 31 March 2017.

18 INVESTMENTS IN ASSOCIATED COMPANIES

	Group and Company 2017 $'000	Group and Company 2016 $'000
Equity investments at cost		
Beginning of financial year	–	*
Addition	1,500	–
Share of loss of associated company	(7)	(*)
End of financial year	1,493	–

* Less than $1,000

The Group's investment in associated companies are summarised below:

	Group and Company 2017 $'000	Group and Company 2016 $'000
RINGS.TV Pte. Ltd.	(i)1,493	–
mm2 Film Distribution Sdn. Bhd.	(ii)–	–
End of financial year	1,493	–

18 INVESTMENTS IN ASSOCIATED COMPANIES (continued)

(i) On 28 February 2017, the Company entered into a Share Subscription and Shareholders' agreement with Mozat Pte Ltd and SPH Media Fund Pte Ltd to subscribe the 15% shares interests in the RINGS.TV Pte. Ltd. ("RINGS.TV") with total consideration of $2,250,000 in two subscription tranches.

On 3 March 2017, the Company completed the first tranche of subscription to subscribe 10% of share interests in RINGS.TV with consideration payable of $1,500,000. The second tranche of subscription of 5% of share interest is expected to be completed by July 2017 at consideration of $750,000.

(ii) The Group has not recognised the remaining share of losses of the associated company, mm2 Film Distribution Sdn. Bhd. amounting to $13,551 (2016: $36,214) as the Group's cumulative share of losses exceeded its interest in that entity and the Group has no obligation in respect of those losses.

The Group had the following associated companies as at 31 March 2017 and 2016:

Name of companies	Principal activities	Country of business/ incorporation	2017	2016
			%	%
<u>Held by mm2 Entertainment Sdn. Bhd.</u>				
mm2 Film Distribution Sdn. Bhd.[(a)]	Distribution and production of motion picture, video and television programme	Malaysia	49	49
<u>Held by the Company</u>				
RINGS.TV Pte. Ltd.[(b) (c)]	Development of software for interactive digital media.	Singapore	10	–

(a) Audited by C. C. Lee & Associates (Malaysia) for local statutory purposes.

(b) Not required to be audited for the current financial year as the associated company is newly incorporated.

(c) Management has assessed the Group's level of influence of its associated company and determines that it has significant influence even though the shareholdings are less than 20%, because of its representation at shareholders' meetings and contractual terms. Consequently, the investment has been classified as an associate company.

There are no contingent liabilities relating to the Group's interest in the associated companies.

<u>Summarised financial information for associated companies</u>

Management has determined significance of associated companies based on the future plans of the entities involved, their prospects and impact on the financial statements of the Group.

18 INVESTMENTS IN ASSOCIATED COMPANIES (continued)

Summarised statements of comprehensive income

	RINGS.TV Pte. Ltd.[1] for the financial period ended 31 March 2017	mm2 Film Distribution Sdn. Bhd. for the financial year ended 31 March 2017	
		2017	**2016**
	$'000	**$'000**	**$'000**
Revenue	365	4,951	2,484
Expenses include:			
- Depreciation	(2)	(16)	(8)
Total comprehensive (loss)/profit, representing net (loss)/profit	(67)	46	(74)

Summarised balance sheets

	RINGS.TV Pte. Ltd.	mm2 Film Distribution Sdn. Bhd.	
	2017	**2017**	**2016**
	$'000	**$'000**	**$'000**
Current assets	2,382	3,221	1,392
Includes:			
- Cash and cash equivalents	1,338	77	44
Current liabilities	(1,099)	(3,338)	(1,581)
Includes:			
- Financial liabilities (excluding trade payables)	(908)	(59)	(104)
Non-current assets	771	31	47
Net assets/(liabilities)	2,054	(86)	(142)
Reconciliation to carrying amounts:			
Opening net assets/(liabilities) at date of acquisition/ financial year	2,121	(142)	(61)
Currency translation differences	–	10	(7)
(Loss)/profit for the financial period/year	(67)	46	(74)
Closing net assets/(liabilities)	2,054	(86)	(142)
Group's share in %	10%	49%	49%
Group's share	205	–	–
Goodwill	1,288	–	–
Carrying amount	1,493	–	–

The information above reflects the amounts presented in the financial statements of the associated companies (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the associated companies.

(1) Summarised statements of comprehensive income of RINGS. TV Pte. Ltd. pertains to the financial period from 3 March 2017 to 31 March 2017.

19 PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	Computers, office equipment and furniture and fittings	Tools and equipment	Rental equipment	Machinery	Renovation	Leasehold property	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
2017								
Cost								
Beginning of financial year	37	1,437	2,060	–	–	96	649	4,279
Currency translation differences	(3)	(287)	(181)	(82)	–	(6)	(55)	(614)
Acquisition of subsidiary corporation (Note 38(b)(iii))	655	87	1,213	164	13	*	–	2,132
Acquisition of business assets (Note 38(a)(ii))	–	110	963	–	–	–	–	1,073
Additions	–	457	3,884	4,876	–	438	20	9,675
Disposal	–	(16)	(126)	(3,003)	–	(57)	–	(3,202)
Write-off	–	(148)	(5)	–	–	–	–	(153)
End of financial year	689	1,640	7,808	1,955	13	471	614	13,190
Accumulated depreciation								
Beginning of financial year	21	381	219	–	–	10	–	631
Currency translation differences	(1)	(29)	(26)	(8)	–	(5)	(*)	(69)
Depreciation charge for the year (Note 5)	137	755	562	80	3	28	12	1,577
Disposal	–	(1)	(2)	(*)	–	–	–	(3)
Write-off	–	(130)	–	–	–	–	–	(130)
End of financial year	157	976	753	72	3	33	12	2,006
Net book value								
End of financial year	532	664	7,055	1,883	10	438	602	11,184

19 PROPERTY, PLANT AND EQUIPMENT (continued)

	Motor vehicles	Computers office equipment and furniture and fittings	Tools and equipment	Renovation	Leasehold property	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
2016						
Cost						
Beginning of financial year	91	171	12	–	–	274
Currency translation differences	(6)	(12)	(1)	–	–	(19)
Acquisition of subsidiary corporation (Note 38(c)(iii))	–	301	–	19	–	320
Acquisition of business assets (Note 38(d)(ii))	–	615	2,040	–	–	2,655
Additions	15	362	9	77	649	1,112
Disposal	(63)	–	–	–	–	(63)
End of financial year	37	1,437	2,060	96	649	4,279
Accumulated depreciation						
Beginning of financial year	70	100	5	–	–	175
Currency translation differences	(5)	(13)	1	*	–	(17)
Depreciation charge for the year (Note 5)	13	294	213	10	–	530
Disposal	(57)	–	–	–	–	(57)
End of financial year	21	381	219	10	–	631
Net book value						
End of financial year	16	1,056	1,841	86	649	3,648

* Less than $1,000

(a) Included within additions in the consolidated financial statements are office equipment acquired under finance leases amounting to $Nil (2016: $32,500) and leasehold property acquired under borrowings amounting to $454,000.

The carrying amounts of computers, office equipment and furniture and fittings and motor vehicle held under finance leases are $25,000 (2016: $35,000) and $223,000 (2016: $2,000) respectively at the balance sheet date.

(b) Bank borrowings are secured on leasehold property of the Group with carrying amounts of $558,000 (2016: $649,000).

20 GOODWILL ON ACQUISITION

	Group	
	2017	2016
	$'000	$'000
Cost		
Beginning of financial year	13,989	–
Acquisition of subsidiary corporations	23,956[iii]	2,852[i]
Acquisition of business assets	5,874[iv]	11,137[ii]
End of financial year	43,819	13,989
Net book value		
End of financial year	43,819	13,989

(i) Acquisition of Vividthree Productions Pte. Ltd. (Note 38(c)(vii))

The goodwill of $2,851,917 is allocated to the post-production segment where the operations are held in Singapore.

(ii) Acquisition of business assets from Cathay Cineplexes Sdn Bhd (Note 38(d)(v))

The initial Purchase Price Allocation ("PPA") to identifiable assets acquired are not completed as at 31 March 2016. The PPA was completed on 11 October 2016 and there were no significant adjustment required for the identifiable assets acquired. The goodwill of $11,137,040 is allocated to the cinema operation segment where the operation are held in Malaysia.

(iii) Acquisition of UnUsUaL Limited. and its subsidiary corporations (Note 38(b)(vii))

The acquisition of subsidiary corporation was completed during the financial year. The goodwill relating to this acquisition is provisional as the fair value of the identifiable net assets are provisionally determined. The initial purchase price allocation to identifiable net assets acquired is being assessed and expected to be finalised within 12 months from date of acquisition hence the goodwill has not been allocated to the relevant cash-generating unit ("CGU"). The Group has not performed any impairment assessment on this acquisition as the initial allocation of goodwill has not been completed. Furthermore, there is no internal and external triggering events that warrant an impairment assessment, as these business assets are generating revenue and profits.

(iv) Acquisition of business assets from Mega Cinema Management Sdn. Bhd. (Note 38(a)(iv))

The goodwill of $5,873,880 is allocated to the cinema operation segment where the operation are held in Malaysia. The PPA to identifiable assets acquired was completed on 20 June 2017 and there were no significant adjustment required for the identified assets acquired.

Impairment test for goodwill

In assessing whether an impairment is required, the carrying amount of the CGU is compared with its recoverable amount. The recoverable amount of the CGU was determined based on value-in-use. The value-in-use is determined based on financial budgets approved by management covering a five-year period using the growth rates stated below. Cash flows beyond the five-year period were extrapolated with assumption of zero growth. These cash flows were discounted using a pre-tax discount rate that reflected current market assessments of the time value of money and the risks specific to the CGU.

The key assumptions for the value-in-use are those regarding the discount rate and growth rate during the financial period. The management estimates discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rate is based on past performance and expectations on market development.

20 GOODWILL ON ACQUISITION (continued)

Impairment test for goodwill (continued)

Key assumptions used for value-in-use calculations:

	Cinema Business		Post Production	
	2017	**2016**	**2017**	**2016**
	%	**%**	**%**	**%**
Growth Rate[1]	10 – 13	–	3	5
Discount Rate[2]	14	–	12	14

[1] Revenue growth rate used for extrapolation of future revenue for the five-year period

[2] Pre-tax discount rate applied to pre-tax cash flow projection

For its goodwill attributable to post-production CGU:

If the management's estimated growth rate used in the value-in-use calculation for this CGU had declined by 52.51% (2016: 24.95%), or the estimated pre-tax discount rate applied to the discounted cash flows for this CGU had been raised by 35.68% (2016: 24.29%), the recoverable amount of the CGU would equal to the carrying amount.

For its goodwill attributable to cinema business CGU:

If the management's estimated growth rate used in the value-in-use calculation for this CGU had declined by 4.44% (2016: Nil%), or the estimated pre-tax discount rate applied to the discounted cash flows for this CGU had been raised by 14.68% (2016: Nil%), the recoverable amount of the CGU would equal to the carrying amount.

21 FILM RIGHTS

	Group	
	2017	**2016**
	$'000	**$'000**
Cost		
Beginning of financial year	24,434	13,605
Currency translation differences	(96)	(98)
Additions	418	–
Transfer from film products (Note 15(a))	9,450	10,927
End of financial year	34,206	24,434
Accumulated amortisation		
Beginning of financial year	15,623	7,256
Currency translation differences	(53)	(71)
Amortisation charge (Note 5)	13,075	8,438
End of financial year	28,645	15,623
Net book value		
End of financial year	5,561	8,811

22 FILM INTANGIBLES AND FILM INVENTORIES

	Group	
	2017	**2016**
	$'000	**$'000**
Cost		
Beginning of financial year	2,296	–
Currency translation differences	(72)	–
Acquisition of subsidiary corporation (Note 38(c)(iii))	–	40
Additions	2,158	2,256
Expiry	(180)	–
Write-off	(4)	–
End of financial year	4,198	2,296
Accumulated amortisation		
Beginning of financial year	15	–
Currency translation differences	(18)	–
Amortisation charge (Note 5)	688	15
End of financial year	685	15
Net book value		
End of financial year	3,513	2,281

23 DEVELOPMENT OF SOFTWARE

	Group	
	2017	**2016**
	$'000	**$'000**
Cost		
Beginning of financial year	202	–
Additions	45	202
End of financial year	247	202
Net book value		
End of financial year	247	202

No amortisation charge during the financial year as the software is still under development as at balance sheet date.

24 TRADE AND OTHER PAYABLES

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Trade payables				
- Non-related parties	15,944	10,185	62	18
- Associated company	453	561	–	–
	16,397	10,746	62	18
Other payables				
- Non-related parties[a]	4,449	7,149	–	20
- Related parties	575	–	–	–
- Associated company	1,500	–	1,500	–
- Dividend and other payable due to non-controlling interests	171	687	–	–
- Subsidiary corporations	–	–	5,219	886
	6,695	7,836	6,719	906
Accruals	3,536	1,547	1,855	732
Customer deposits[b]	–	1,205	–	–
Withholding tax	8	11	–	–
Deferred consideration				
- Acquisition of subsidiary corporation (Note 38(b)(i)) (2016: Note 38(c)(i))	20,000	2,313	20,000	–
- Unwinding of discount on deferred consideration (Note 9)	–	147	–	–
	20,000	2,460	20,000	–
	46,636	23,805	28,636	1,656

The non-trade amounts due to subsidiary corporations are unsecured, interest-free and repayable on demand.

[a] Included in amount owing to non-related parties pertains to the balance of $6,758,000 arising from the acquisition of business assets from Cathay Cineplexes Sdn Bhd (Note 38(d)(i)). This has been repaid during the financial year.

[b] Customer deposits pertains to refundable deposits received from the exploitation of copyrights on the Group's core business.

25 DEFERRED INCOME

	Group 2017 $'000	Group 2016 $'000
Deferred income[a]	2,922	557

[a] Deferred income refers to advance payment received from customers for project services, cinema operations and events productions and concert promotion.

26 BORROWINGS

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Current				
Bank overdrafts (Note 12)	–	90	–	–
Bank loans	6,139	97	2,500	–
Borrowings – non-related party[a]	–	28	–	–
Finance lease liabilities (Note 28)	84	17	–	–
	6,223	232	2,500	–
Non-current				
Bank loans	5,442	630	–	–
Convertible bonds	–	2,154	–	2,154
Finance lease liabilities (Note 28)	22	33	–	–
	5,464	2,817	–	2,154
Total borrowings	11,687	3,049	2,500	2,154

[a] On 3 April 2015, the Group has entered into an agreement with Shaw Renters (Singapore) Pte Limited ("Shaw"), whereby Shaw agreed to fund a production film with a return of 1% on the borrowing of $28,000. The borrowing was fully repaid by 29 July 2016.

The exposure of the borrowings of the Group to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	Group	
	2017	2016
	$'000	$'000
12 months or less	6,223	232
1 – 5 years	5,124	2,421
Over 5 years	340	396
	11,687	3,049

Security granted

Total bank loans included secured liabilities of $11,581,000 (2016: $727,000) which are secured as follows:

- Pledged fixed deposit in the bank of $Nil (2016: $69,000) and personal guarantee of $316,000 from the key management personnel and Executive Chairman and Executive Director of the Company;
- Deed of guarantee and indemnity from all monies from Executive Chairman and Executive Director of the Company, a non-related party and the directors of a subsidiary corporation;
- The Group's leasehold property (Note 19);
- Legal corporate guarantees of $13,269,000 from the Company for subsidiary corporations' banking facilities;
- Legal corporate guarantees of $2,500,000 from a subsidiary corporation for the Company's banking facilities; and
- Leasehold property of a related corporation of a subsidiary corporation.

26 BORROWINGS (continued)

Security granted (continued)

Finance lease liabilities of the Group are effectively secured over the motor vehicles (Note 19), as the legal titles is retained by the lessor and will be transferred to the Group upon full settlement of the finance lease liabilities.

Fair value of non-current borrowings

The fair values of non-current borrowings approximate their carrying amounts.

The fair values are determined from the cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the balance sheet date which the directors expect to be available to the Group as follows:

	Group	
	2017	**2016**
	%	**%**
Bank loans	5.28	5.35
Borrowings – non-related parties	–	5.35
Convertible bonds	–	13.00
Finance lease liabilities	5.41	5.41

The fair values are within Level 2 of the fair value hierarchy.

27 CONVERTIBLE BONDS/NOTES

(i) On 5 December 2016, the Group's subsidiary corporation, UnUsUaL Limited. (formerly known as UnUsUaL Pte. Ltd.) had entered into a Convertible Note Subscription Agreements with Pre-IPO investors in aggregate principal amounts of $3,000,000. Pursuant to the Convertible Note Subscription Agreements, 100% of the principal amount in respect of the Convertible Notes shall be converted into 17,647,059 Conversion Shares prior to registration. The Convertible Notes of all Pre-IPO investors shall be converted at a conversion price that is 85% of the Placement Price of the Company. On 24 March 2017, the convertible notes are converted into 17,647,059 of the ordinary shares of UnUsUaL Limited.

(ii) On 24 February 2016, the Company entered into a convertible note subscription agreement with Orientivity Capital Pte. Ltd. to issue redeemable convertible notes denominated in Singapore Dollar with a nominal value of $5,000,000 in aggregate principal amount of convertible notes, and a Greenshoe Option amounting to $2,500,000.

On 28 July 2016, all convertible notes were converted into 18,700,283 of ordinary shares pursuant to the terms and conditions of the convertible notes.

27 CONVERTIBLE BONDS/NOTES (continued)

(iii) On 10 July 2015, the Group's subsidiary corporation, mm2 Entertainment Pte. Ltd. had entered into an exchangeable note subscription agreement with 3VS1 Asia Growth Fund 2 Ltd. to issue redeemable convertible bonds denominated in Singapore Dollar with a nominal value of $2,600,000 in aggregate principal amount and up to $1,300,000 in aggregate principal amount of Greenshoe Option.

On 12 November 2015, 17 December 2015 and 18 December 2015, the Greenshoe Option Notes aggregating to a principal amount of $1,207,560 was converted in 2,142,965 ordinary shares.

On 19 April 2016, the exchangeable notes of $2,600,000 had been mandatorily converted into 9,442,172 of new ordinary shares pursuant to the terms and conditions of the exchangeable note.

The convertible bonds are regarded as hybrid instrument consisting of an embedded derivative, the economic characteristics and risks of which are not closely related to that of a host instrument, the bonds. The conversion options under the terms of the convertible bonds collectively formed a single compound embedded derivative in the convertible bonds. The management assessed the fair value of the single compound embedded derivative at the inception of the convertible bonds and at the balance sheet date and considered it as not significant, hence this single compound embedded derivative was not recognised.

In 2016, the fair value of the liability component, included in non-current borrowings, is calculated using a market interest rate for an equivalent non-convertible bond at the date of issue. The residual amount, representing the value of the equity conversion of approximately $446,000, is included in "Reserves" (Note 31), net of deferred income taxes.

As at 31 March 2017, the Company does not have any outstanding convertible bonds/notes.

28 FINANCE LEASE LIABILITIES

The Group leases motor vehicles and office equipment from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

	Group	
	2017	**2016**
	$'000	**$'000**
Minimum lease payments due		
- Not later than one year	89	17
- Between one and five years	22	38
- Later than five years	–	–
	111	55
Less: Future finance charges	(5)	(5)
Present value of finance lease liabilities	106	50

28 FINANCE LEASE LIABILITIES (continued)

The present values of finance lease liabilities are analysed as follows:

	Group	
	2017	2016
	$'000	$'000
Not later than one year (Note 26)	84	17
Later than one year (Note 26)		
- Between one and five years	22	33
- Later than five years	–	–
	22	33
Total	106	50

29 DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	Group	
	2017	2016
	$'000	$'000
Deferred income tax liabilities		
- To be settled within one financial year	50	12
- To be settled after one financial year	448	742
	498	754
Deferred income tax assets		
- To be recovered within one financial year	(663)	–
- To be recovered after one financial year	(12)	(550)
	(675)	(550)

Movement in deferred income tax account is as follows:

	Group	
	2017	2016
	$'000	$'000
Beginning of financial year	204	1,909
Currency translation differences	(28)	(12)
Acquisition of subsidiary corporation (Note 38(b)(iii)) (2016: Note 38(c)(iii))	150	25
Credited to profit or loss	(503)	(1,718)
End of financial year	(177)	204

29 DEFERRED INCOME TAXES (continued)

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The tax losses and capital allowances can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation.

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

Group
Deferred income tax liabilities

	Accelerated tax depreciation/ amortisation	Other	Total
	$'000	$'000	$'000
2017			
Beginning of financial year	729	25	754
Currency translation differences	(77)	–	(77)
Acquisition of subsidiary corporation	150	–	150
Charged to profit or loss	108	32	140
End of financial year	910	57	967
2016			
Beginning of financial year	1,918	5	1,923
Currency translation differences	(10)	–	(10)
Acquisition of subsidiary corporation	–	25	25
Credited to profit or loss	(1,179)	(5)	(1,184)
End of financial year	729	25	754

Deferred income tax assets

	Amortisation	Tax losses	Total
	$'000	$'000	$'000
2017			
Beginning of financial year	–	(550)	(550)
Currency translation differences	–	49	49
Credited to profit or loss	(693)	50	(643)
End of financial year	(693)	(451)	(1,144)
2016			
Beginning of financial year	–	(14)	(14)
Currency translation differences	–	(2)	(2)
Credited to profit or loss	–	(534)	(534)
End of financial year	–	(550)	(550)

30 SHARE CAPITAL

	Group and Company	
	No. of ordinary shares	Amount
	'000	$'000
2017		
Balance at the beginning of financial year	442,265	56,982
Issuance of new shares pursuant to the conversion of exchangeable notes [(a)]	9,442	2,644
Issuance of new shares pursuant to the conversion of convertible notes [(b)]	18,700	7,534
Issuance of new shares pursuant to the placement agreements [(c)]	44,000	18,040
Issuance of new shares pursuant to the acquire business assets [(d)]	9,483	3,012
Issuance of new shares pursuant to the completion share split [(e)]	523,891	–
End of financial year	1,047,781	88,212

	Group and Company	
	No. of ordinary shares	Amount
	'000	$'000
2016		
Balance at the beginning of financial year	206,729	47,884
Issuance of new shares pursuant to the conversion of exchangeable notes [(a)]	2,143	1,208
Issuance of new shares pursuant to the conversion of convertible notes [(f)]	5,909	2,890
Issuance of new shares pursuant to the placement agreements [(g)]	6,352	5,000
Issuance of new shares pursuant to the completion share split [(h)]	221,132	–
End of financial year	442,265	56,982

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company. The newly issued shares rank pari passu in all respects with the previously issued shares.

(a) On 10 July 2015, the Group's subsidiary corporation, mm2 Entertainment Pte. Ltd. entered into an exchangeable note subscription agreement with 3VS1 Asia Growth Fund 2 Ltd. to issue redeemable convertible bonds denominated in Singapore Dollar with a nominal value of $2,600,000 in aggregate principal amount, and up to $1,300,000 in aggregate principal amount of Greenshoe Option.

Within the financial year of 2016, the Greenshoe Option Notes aggregating to a principal amount of $1,207,560 was converted in 2,142,965 ordinary shares.

On 10 April 2016, the exchangeable notes aggregating to a principal amount of $2,644,000 had been mandatorily converted into 9,442,172 of new ordinary shares. The conversion exercise was held on 19 April 2016.

(b) On 11 April 2016, the Company has issued convertible notes amounting to $5,000,000 with a Greenshoe Option amounting to $2,500,000 to Orientivity Capital Pte. Ltd. ("Orientivity"). The Greenshoe Option has been exercised on 11 May 2016. These convertible notes were fully converted into 18,700,283 conversion shares on 28 July 2016.

30 SHARE CAPITAL (continued)

(c) On 22 March 2016, the Company has entered into a share placement agreement with StarHub Ltd, to issue 44,000,000 new ordinary shares ("Placement Shares") for a consideration of $18,040,000. On this date, StarHub Ltd does not hold any shares in the capital of the Company. The Placement Shares has been approved in the extraordinary general meeting of the Company on 2 June 2016. The shares were issued subsequently on 10 June 2016.

(d) This relates to the issuance of new shares pursuant to the acquisition of business assets from Mega Cinemas Management Sdn. Bhd. (Note 38 (a)(i)). On 26 July 2016, the Company had allotted and issued a total of 9,483,367 new ordinary shares amounting to approximately $3,012,000.

(e) 523,890,710 ordinary shares were issued pursuant to the completion of share split on 14 October 2016.

(f) On 1 December 2015, all convertible notes were converted into 5,908,822 conversion shares pursuant to the terms and conditions of the convertible notes, amounting to $2,890,595 in aggregate principal amount of convertible notes.

(g) On 1 February 2016, 4 February 2016 and 25 February 2016, an aggregate amount of 6,351,625 ordinary shares were issued pursuant to the placement of shares to Hesheng Media Co., Ltd., Maxi-Harvest Group Pte. Ltd. and Apex Capital Group Pte. Ltd., amounting to $4,999,999 in aggregate principal amount of the placement shares.

(h) 221,132,444 ordinary shares were issued pursuant to the completion of share split on 1 March 2016.

mm2 Performance Share Plan

The Company has implemented a performance share plan known as "mm2 PSP" which was approved and adopted by the shareholders at an Extraordinary General Meeting held on 4 November 2014 which provides for the award of fully paid-up ordinary shares in the share capital of the Company free-of-charge, provided that certain prescribed performance targets (if any) are met and upon expiry of the prescribed performance period.

Full-time Group Executives who have attained the age of 21 years as of the award date and hold such rank as may be designated by the Committee from time to time are eligible to participate in mm2 PSP. Group Executive Directors and Group Non-Executive Directors (including Independent Directors) of the Group are eligible to participate in mm2 PSP. The participant must also not be an undischarged bankrupt and must not have entered into a composition with his creditor.

Persons who are controlling shareholders or associates of a controlling shareholder who meet the criteria above are also eligible to participate mm2 PSP provided that the participation of and the terms of each grant and the actual number of awards granted under mm2 PSP to a participant who is a controlling shareholder or an associate of a controlling shareholder shall be approved by the independent shareholders in a separate resolutions for each person subject to the following:

(a) the aggregate number of shares comprised in awards granted to controlling shareholders or associates of a controlling shareholder under mm2 PSP shall not exceed 25% of the aggregate number of shares (comprised in awards) which may be granted under mm2 PSP; and

(b) the number of shares available to the each controlling shareholder or associate of a controlling shareholder shall not exceed 10% of the shares available under mm2 PSP.

30 SHARE CAPITAL (continued)

mm2 Performance Share Plan (continued)

mm2 PSP is a share incentive scheme which will allow the Company, inter alia, to target specific performance objectives and to provide an incentive for participants to achieve these targets. The directors believe that mm2 PSP will help to achieve the following positive objectives:

(a) foster an ownership culture with the Group which aligns the interests of Group Executives with the interests of Shareholders;

(b) motivate participants to achieve key financial and operational goals of the Company and/or their respective business units and encourage greater dedication and loyalty to the Group; and

(c) make total employee remuneration sufficiently competitive to recruit new participants and/or retain existing participants whose contributions are important to the long term growth and profitability of the Group.

mm2 PSP is administered by the Remuneration Committee (the "RC") which comprises three (3) directors, namely Tan Liang Pheng, Mak Chi Hoo and Lei Chee Kong Thomas.

mm2 PSP shall continue in force at the discretion of the RC, subject to a maximum period of ten (10) years commencing on the date on which mm2 PSP is adopted by the Company in general meeting, provided always that mm2 PSP may continue beyond the above stipulated period with the approval of Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

The Company may deliver shares pursuant to awards granted under mm2 PSP by way of:

(i) issuance of new shares;

(ii) delivery of existing shares purchased from the market or shares held in treasury; and/or

(iii) cash in lieu of shares, based on the aggregate market value of such shares.

The total number of new shares which may be issued pursuant to awards granted under mm2 PSP, when added to (i) the number of new shares issued and issuable in respect of all awards granted thereunder; and (ii) all shares issued and issuable in respect of all options granted or awards granted under any other share incentive schemes or share plans adopted by the Company for the time being in force, shall not exceed 15% of the issued share capital of the Company's post-placement as well as on the day preceding the relevant date of award. The aggregate number of shares available under mm2 PSP shall not exceed 15% of the total issued share capital of the Company post-placement and from time to time.

On 31 May 2017, the Company has awarded a total of 959,400 shares pursuant to mm2 PSP at exercise price of $0.5980 per share to certain Directors, key management personnel, and employees of the Group and Company. These awarded share were vested immediately.

31 RESERVES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Composition:				
Convertible bond - equity component (Note 27)	–	446	–	446
Merger reserve [a]	(37,338)	(37,338)	–	–
Currency translation reserve	(1,120)	(594)	–	–
Net asset retained by non-controlling interests upon acquisition of a subsidiary corporation [b]	(169)	(169)	–	–
Other reserve (Note 17)	1,329	–	–	–
	(37,298)	(37,655)	–	446

[a] Merger reserve represents the difference between the consideration paid and the share capital of the subsidiary corporations acquired under common control.

[b] The amounts were retained by non-controlling interests in respect of certain assets and liabilities not included in the acquisition of a subsidiary corporation.

The movement of reserves are as follows:

	Group	
	2017	2016
	$'000	$'000
(i) Merger reserve		
Beginning and end of financial year	(37,338)	(37,338)
(ii) Currency translation reserve		
Beginning of financial year	(594)	(49)
Net currency translation differences of financial statements of foreign subsidiary corporations and associated company	(526)	(545)
End of financial year	(1,120)	(594)

Reserves are non-distributable.

32 RETAINED PROFITS/(ACCUMULATED LOSSES)

Retained profits of the Group are distributable.

Movement in accumulated losses of the Company is as follows:

	Company	
	2017	**2016**
	$'000	**$'000**
Beginning of financial year	(601)	(483)
Net loss	(804)	(118)
End of financial year	(1,405)	(601)

33 COMMITMENTS

At the balance sheet date, the Group and the Company has the following commitments:

(a) Operating lease commitments – where the Group is a lessee

The Group leases office space and apartments from related and non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Not later than one year	2,261	1,550
Between one and five years	1,098	938
	3,359	2,488

(b) Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements, excluding those relating to investments in associated companies (Note 18), are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Property, plant and equipment	54	–

34 CONTINGENT LIABILITIES

(a) Performance guarantee

Contingent liabilities, of which the probability of settlement is remote at the balance sheet date, are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Performance guarantees	844	–

(b) Corporate guarantees

During the financial year, the Company has issued corporate guarantees amounting up to $13,269,000 to a bank for borrowings of its subsidiary corporations. These bank borrowings of the subsidiary corporations amounted to $8,493,000 (2016: $Nil) as at the balance sheet date.

The Company has evaluated the fair values of the corporate guarantees and the consequential liabilities derived from its guarantees to the bank with regards to the subsidiary corporations are minimal. The subsidiary corporations for which the guarantees were provided is in favourable equity position and is profitable, with no default in the payment of borrowings and credit facilities.

(c) Financial support to subsidiary corporation

The Company had gave letter of financial support to one of the subsidiary corporations in the Group with capital deficiency and net current liability position as at balance sheet date. The subsidiary corporation is profitable during the financial year.

35 FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to market risk (including currency risk, price risk, and cash flow and fair value interest rate risk), credit risk, liquidity risk and capital 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 Group do not use financial instruments such as currency forwards, interest rate swaps and foreign currency borrowings to hedge certain financial risk exposure.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. This includes establishing detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, and exposure limits in accordance with the objectives and underlying principles approved by the Board of Directors.

Financial risk management is carried out by the finance department in accordance with the policies set by the Board of Directors. The finance personnel identifies, evaluates and monitors financial risks in close co-operation with the Group's operating units. The finance personnel measures actual exposures against the limits set and prepares periodic reports for review by the Board of Directors. Regular reports are also submitted to the Board of Directors.

35 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk

(i) Currency risk

The Group operates in Asia with dominant operations in Singapore, Malaysia. Hong Kong and China. Entities in the Group regularly transact in currencies other than their respective functional currencies (“foreign currencies”).

Currency risk arises within entities in the Group when transactions are mainly denominated in foreign currencies such as the Malaysian Ringgit (“MYR”), United States Dollar (“USD”), and Hong Kong Dollar (“HKD”).

The Group’s currency exposure based on the information provided to key management is as follows:

	SGD $’000	MYR $’000	USD $’000	HKD $’000	Others $’000	Total $’000
At 31 March 2017						
Financial assets						
Cash and cash equivalents	21,958	1,606	900	730	561	25,755
Trade and other receivables	28,922	10,636	1,342	868	625	42,393
Receivable from subsidiary corporations	52,472	13,659	14	1,291	608	68,044
	103,352	25,901	2,256	2,889	1,794	136,192
Financial liabilities						
Trade and other payables	(36,423)	(5,993)	(2,502)	(316)	(1,402)	(46,636)
Borrowings	(4,780)	(6,907)	–	–	–	(11,687)
Payable to subsidiary corporations	(52,472)	(13,659)	(14)	(1,291)	(608)	(68,044)
	(93,675)	(26,559)	(2,516)	(1,607)	(2,010)	(126,367)
Net financial assets/ (liabilities)	9,677	(658)	(260)	1,282	(216)	9,825
Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities’ functional currencies	977	3,788	(260)	801	(255)	5,051

35 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	SGD $'000	MYR $'000	USD $'000	HKD $'000	Others $'000	Total $'000
At 31 March 2016						
Financial assets						
Cash and cash equivalents	3,240	1,433	–	70	–	4,743
Available-for-sale financial asset	250	–	–	–	–	250
Trade and other receivables	18,858	3,277	364	443	292	23,234
Receivable from subsidiary corporations	27,041	1,547	3	237	–	28,828
	49,389	6,257	367	750	292	57,055
Financial liabilities						
Trade and other payables	(12,767)	(10,379)	(288)	(101)	(270)	(23,805)
Borrowings	(2,492)	(557)	–	–	–	(3,049)
Payable to subsidiary corporations	(27,041)	(1,547)	(3)	(237)	–	(28,828)
	(42,300)	(12,483)	(291)	(338)	(270)	(55,682)
Net financial assets/ (liabilities)	7,089	(6,226)	76	412	22	1,373
Currency exposure of financial (liabilities)/assets net of those denominated in the respective entities' functional currencies	(4,045)	(1,907)	76	235	22	(5,619)

35 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If the MYR, USD and HKD change against the SGD by 6% (2016: 10%), 3% (2016: 2%), and 3% (2016: 2%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial liabilities/assets position will be as follows:

	Increase/(Decrease) in net profit	
	2017	**2016**
	$'000	**$'000**
Group		
MYR against SGD		
- Strengthened	189	157
- Weakened	(189)	(157)
USD against SGD		
- Strengthened	(6)	1
- Weakened	6	(1)
HKD against SGD		
- Strengthened	20	4
- Weakened	(20)	(4)

(ii) Price risk

The Group does not have significant exposure to the equity price as it does not hold equity financial asset as of financial year ended 31 March 2017.

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group does not have any significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from borrowings at floating interest rate. The Group manages its interest rate risk by keeping bank loans to the minimum required to sustain the operations of the Group.

The Group's borrowings are at variable rates which no hedges have been entered into as the loans are denominated in the respective operating entities' functional currencies and there are natural hedges as the Group's collections are mainly in its respective operating entities' functional currencies. If the interest rates had increased/decreased by 0.5% (2016: 0.5%) with all other variables including tax rate being held constant, management had assessed and determined the impact to profit after tax as a result of higher/lower interest expense on these borrowings is not significant.

35 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits and trade receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history and obtaining sufficient collateral. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to individual counterparty is restricted by credit limits that are approved by the Board of Directors based on ongoing credit evaluation. The counterparty's payment pattern and credit exposure are continuously monitored at the Group level by the Board of Directors.

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The trade receivables are largely corporate companies and comprise 3 debtors (2016: 2 debtors) that individually represented 6% - 8% (2016: 11% - 21%) of trade receivables.

The credit risk of trade receivables based on the information provided to key management is as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
By geographical areas		
Singapore	16,675	13,865
Malaysia	9,167	2,502
China	4,657	2,855
Taiwan	5,111	1,155
Hong Kong	1,515	417
Others	39	14
	37,164	20,808
By types of customers		
Associated company	2,045	1,363
Non-related parties		
- Individual	4,288	70
- Corporations	30,831	19,375
	37,164	20,808

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group and are not re-negotiated.

35 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(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 but not impaired is as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Past due less than 3 months	10,993	11,662
Past due over 3 months	15,220	7,783
	26,213	19,445

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Past due over 3 months	143	143
Past due over 6 months	36	–
	179	143
Less: Allowance for impairment	(179)	(143)
	–	–

	Group	
	2017	**2016**
	$'000	**$'000**
Beginning of financial year	143	–
Allowance made (Note 5)	36	143
End of financial year (Note 13)	179	143

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At the balance sheet date, assets held by the Group and the Company for managing liquidity risk included cash and cash equivalents as disclosed in Note 12.

Management monitors rolling forecasts of the liquidity reserve (comprises undrawn borrowing facility) and cash and cash equivalents (Note 12) of the Group and the Company on the basis of expected cash flow. This is generally carried out in accordance with the practice and limits set by the Board of Directors. These limits vary by location to take into account the liquidity of the market in which the entity operates.

35 FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total $'000
Group					
At 31 March 2017					
Trade and other payables	46,636	–	–	–	46,636
Borrowings	6,704	3,792	1,818	502	12,816
	53,340	3,792	1,818	502	59,452
At 31 March 2016					
Trade and other payables	23,805	–	–	–	23,805
Borrowings	340	2,775	212	610	3,937
	24,145	2,775	212	610	27,742
Company					
At 31 March 2017					
Trade and other payables	28,636	–	–	–	28,636
Borrowings	2,515	–	–	–	2,515
Financial guarantee contracts	8,493	–	–	–	8,493
	39,644	–	–	–	39,644
At 31 March 2016					
Trade and other payables	1,656	–	–	–	1,656
Borrowings	–	2,623	–	–	2,623
	1,656	2,623	–	–	4,279

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue to operate as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on the gearing ratio which the Board of Directors monitors on a periodic basis. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

35 FINANCIAL RISK MANAGEMENT (continued)

(d) Capital risk (continued)

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Net debt	32,568	22,111	28,683	3,467
Total equity	94,475	37,165	86,807	56,827
Total capital	127,043	59,276	115,490	60,294
Gearing ratio	**26%**	**37%**	**25%**	**6%**

(e) Fair value measurements

The following table presents assets and liabilities measured and carried at fair value and classified by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(ii) inputs other than quoted prices included within level 1 that are observable or the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

See Note 16 for disclosure of the available-for-sale financial asset that are measured at fair value.

The following table presents assets that measured at fair value at 31 March 2016. There is no available-for-sale financial asset as at 31 March 2017.

	Level 1	Level 2	Level 3
	$'000	$'000	$'000
2016	–	–	250

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Valuation techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. Where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are classified as Level 3.

Level 3 fair value measurement

As at 31 March 2016, the available-for-sale financial asset represent unquoted equity securities. The valuation technique, Adjusted Net Asset Value was used to determine the fair value of these financial assets. The unobservable inputs used in the valuation total assets and total liabilities of the equity security includes liquidity discount.

A 5% increase/(decrease) in the liquidity discount at 31 March 2016 to the significant unobservable inputs, holding other inputs constant, would have a net effect to the fair value that is negligible.

The carrying amount of other financial assets and liabilities approximates to their fair values.

35 FINANCIAL RISK MANAGEMENT (continued)

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheets, except for the following:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Loans and receivables	68,148	27,977	51,104	22,294
Financial liabilities at amortised cost	58,323	26,854	31,136	3,810

(g) Offsetting financial assets and financial liabilities

The Group has the following financial instruments subject to enforceable master netting arrangements or similar agreement as follows:

	Gross amounts of recognised financial assets/ (liabilities)	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet
	$'000	$'000	$'000
Group			
31 March 2017			
Trade receivables	14,053	(10,545)	3,508
Trade payables	(12,741)	10,545	(2,196)
31 March 2016			
Trade receivables	14,931	(7,742)	7,189
Trade payables	(7,742)	7,742	–

The Company does not have any financial instruments subject to enforceable master netting arrangements or similar agreement for financial year ended 31 March 2017 and 2016.

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and their respective counterparties allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

36 RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Sales and purchases of goods and services

	Group	
	2017	**2016**
	$'000	**$'000**
Sales of goods and/or services to		
Associated company	3,678	684
Other related parties	260	859
Purchase of services from		
Associated company	2,728	71
Payments made on behalf and reimbursed by associated company	845	542
Rental expense paid/payable to director and key management personnel	28	28

Outstanding balances as at 31 March 2017 and 2016, arising from sales/purchase of services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 13 and 24 to the financial statements respectively.

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Directors		
Wages and salaries	240	239
Bonus	1,708	592
Directors' fees	130	130
Employer's contribution to defined contribution plans	17	14
	2,095	975
Key management personnel		
Wages and salaries	394	482
Bonus	173	–
Employer's contribution to defined contribution plans	39	43
	606	525
	2,701	1,500

37 SEGMENT INFORMATION

The Group's chief operating decision-maker ("CODM") comprises of the Executive Chairman, Chief Executive Officer, the Chief Financial Officer, and the heads of each business within the operating segment. Management has determined the operating segments based on the reports reviewed by the CODM that are used to make strategic decisions, allocate resources, and assess performance.

At 31 March 2017, the Group was organised into 4 (2016: 3) operating segments, which is relating to motion pictures, videos, television programmes, production activities, post-production, cinema operation and event production and concert promotion. This is based on the Group's internal organisation and management structure and the primary way in which the CODM is provided with the financial information.

The four operating segments are mainly:-

(a) Core business

Core business segment refers to the Group's production and distribution of motion picture, video and television programme and sponsorship.

(i) Production income

Income is mainly related to revenue of exploitation of copyrights*, producer fee income and consultancy fee income.

* Copyrights refers to copyrights and all other rights attached therein.

(ii) Distribution income

Income is mainly related to revenue of distribution of film and exploitation of the script and sequel rights of the movie via licensing agreements.

(iii) Sponsorship income

Income is mainly related to sponsorships associated with the production of films.

(b) Post-production

Post-production segment refers to services in 3D stereoscopic animation, 3D animation and visual effects for feature films and commercials. They are mainly related to motion picture, video and television programme post-production activities.

(c) Cinema Operation

Cinema operation segment refer to sales of cinema ticket and concession, hall renting and screen advertising.

(i) Exhibition

Income is mainly related to selling of movie tickets.

(ii) Confectionery

Income is mainly related to selling of food and beverage such as popcorn, soft drinks and snacks.

(iii) Others cinema operation

Income consists of hall rental, screen advertising, ticket booking fee, blanket and pillow rental and virtual printing fee.

37 SEGMENT INFORMATION (continued)

(d) Event production and concert promotion ("Concert & event")

Event production and concert promotion segment refers to the Group's newly acquired subsidiary corporation which is relating to sales on events production, concerts promotion and supply of equipment.

(i) Production

(a) Supply of equipment

Revenue from renting of stage sound system and equipment are recognised upon completion of the events, otherwise it is recognised on a straight-line basis over the contractual period.

(b) Rendering of services

Revenue from the rendering of technical services is recognised when the services are rendered upon completion of the events, otherwise it is recognised on a straight-line basis over the contractual period.

(ii) Promotion

(a) Admission fees and sponsorship

Revenue from artistic performances and other special events, including the related sponsorship received is recognised when the events take place. When subscriptions to a number of events is sold, the fee is allocated to each event on a basis where reflects the extent to which services are performed at each event.

(b) Other Promotion

Revenue from trading of performance rights is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

(iii) Other event production and concert promotion

(a) Revenue from the co-management of exhibition/concert halls are recognised upon completion of the events, otherwise it is recognised on a straight-line basis over the contractual period.

(b) Revenue from renting exhibition/concert halls related equipment are recognised upon completion of the events, otherwise it is recognised on a straight-line basis over the contractual period.

(e) Others

Others consist of revenue from café operations, social media advertising activities and development of software for interactive digital media.

There is no operating segments that have been aggregated to form the above reportable operating segments.

37 SEGMENT INFORMATION (continued)

The segment information provided to the CODM for the reportable segments are as follows:

2017	**Core business**	**Post-production**	**Cinema operation**	**Concert & Event**	**Others**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Total segment sales	57,326	4,074	12,625	22,962	106	97,093
Inter-segment sales	(714)	(559)	(28)	–	(71)	(1,372)
Sales to external parties	56,612	3,515	12,597	22,962	35	95,721
Adjusted earnings before interest, tax, depreciation and amortisation, ("EBITDA")	33,882	356	1,405	6,493	(343)	41,793
Depreciation	(74)	(263)	(776)	(456)	(8)	(1,577)
Amortisation	(13,692)	(71)	–	–	–	(13,763)
Interest expense	(78)	(18)	(502)	(18)	–	(616)
Profit/(loss) before income tax	20,038	4	127	6,019	(351)	25,837
Income tax expense	(2,765)	(83)	(195)	(804)	–	(3,847)
Net profit/(loss)	17,273	(79)	(68)	5,215	(351)	21,990

2016	**Core business**	**Post-production**	**Cinema operation**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Total segment sales	30,126	4,027	4,885	39,038
Inter-segment sales	(286)	(410)	(4)	(700)
Sales to external parties	29,840	3,617	4,881	38,338
Adjusted EBITDA	17,351	1,436	573	19,360
Depreciation	(39)	(215)	(276)	(530)
Amortisation	(8,438)	(15)	–	(8,453)
Interest expense	(227)	(22)	(138)	(387)
Profit before income tax	8,647	1,184	159	9,990
Income tax expense	(944)	(111)	(40)	(1,095)
Net profit	7,703	1,073	119	8,895

Disclosure on the measures of total assets and total liabilities for each reportable segments was not presented as the CODM is of the opinion that it is not meaningful and impracticable as they do not use them for operating decision-making on allocation of resources and performance assessment.

Sales between segments are carried out at agreed terms. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the statement of comprehensive income.

37 SEGMENT INFORMATION (continued)

Geographical information

In presenting the geographical location, revenue is based on the geographical locations of the customers which the revenue is derived from:

	2017 $'000	2016 $'000
Singapore	39,224	22,404
Malaysia	24,900	7,369
People's Republic of China	18,787	5,692
Taiwan	6,089	1,679
Hong Kong	5,515	1,161
Others	1,206	33
	95,721	38,338

The following is an analysis of the Group's carrying amount of non-current assets analysed by the geographical areas:

	2017 $'000	2016 $'000
Singapore	52,747	14,010
Malaysia	13,332	15,719
Hong Kong	413	2
	66,492	29,731

Information of major customers

Revenue of approximately $11,000,000 (2016: $4,200,000) is derived from two (2016: one) external customers for the financial year ended 31 March 2017. These revenues are attributable to the core business segment in Singapore.

38 BUSINESS COMBINATIONS

2017

(a) Business assets from Mega Cinemas Management Sdn. Bhd. ("Mega")

On 5 May 2016, mm2 Asia Ltd. ("the Company") through its wholly-owned subsidiary corporation, mm2 Screen Management Sdn. Bhd. has entered into a sale of business agreement with Mega for the acquisition of the business assets carried on at the following locations. As a result of this acquisition, the Group is expected to expand its current cinema operations and strengthen the competitive advantage.

- Mega Cineplex Prai, Lot 4-07, Lot 4-07A and part of Lot 4-06, Level 4, Megamall Pinang, No. 2828, Jalan Baru, Bandar Perai Jaya, 13600 Seberang Prai Tengah, Pulai Pinang;
- Mega Cineplex Bertam, F-1, Persiaran Dagang, Pusat Bandar Bertam Perdana, 13200 Kepala Batas; and
- Mega Cineplex Langkawi, Level 10, Langkawi Parade, Pokok Asam, Kuah, 07000 Langkawi, Kedah Darul Aman.

38 BUSINESS COMBINATIONS (continued)

(a) Business assets from Mega Cinemas Management Sdn. Bhd. ("Mega") (continued)

Details of the consideration paid and the assets acquired at the acquisition date, are as follows:

(i) Purchase consideration

	$'000
Cash paid	3,935
Issuance of new shares (Note 30(d))	3,012
Total purchase consideration	6,947

(ii) Identifiable assets acquired

	At fair value $'000
Property, plant and equipment (Note 19)	1,073
Add: Goodwill (Note 20 and Note 38(a)(iv))	5,874
Total purchase consideration	6,947

(iii) Acquisition-related costs

Acquisition-related costs of $24,035 are included in "administrative expenses" in the consolidated statement of comprehensive income and included as part of the operating cash flows in the consolidated statement of cash flows.

(iv) Goodwill

The goodwill of $5,873,880 arising from the acquisition is attributable to the premium the Company was willing to pay to expand its presence in the Malaysian market, similar to their acquisition of Cathay cinemas in financial year ended 31 March 2016. The acquisition of business assets from Mega was completed in 1 July 2016 and the purchase price allocation to identifiable assets acquired was completed on 20 June 2017. The goodwill of $5,873,880 is allocated to the cinema operation segment where the operation are held in Malaysia.

(v) Revenue and profit contribution

The acquired business contributed revenue of $2,546,488 and net profit of $145,429 to the Group from the financial period from 1 July 2016 to 31 March 2017. The disclosure of revenue and profit contribution had the acquisition occurred at the beginning of the financial year is impracticable as the information was not accessible by reason of the acquisition being made on the purchase of the business assets, not an acquisition of a legal entity.

38 BUSINESS COMBINATIONS (continued)

(b) UnUsUaL Limited. ("UnUsUaL") (formerly known as UnUsUaL Pte. Ltd.) and its subsidiary corporations

On 12 May 2016, the Company has entered into a Sales and Purchase agreement ("SPA") with Ong Chin Soon and Ong Chin Leong (collectively known as "vendor" or non-controlling interest "NCI") to acquire 51% of the issued and paid-up ordinary shares of UnUsUaL and its subsidiary corporations ("UnUsUaL group of companies"). The transaction was completed on 11 August 2016.

The UnUsUaL group of companies are as follows:

- UnUsUaL Limited. (formerly known as UnUsUaL Pte. Ltd.);
- UnUsUaL Production Pte. Ltd.;
- UnUsUaL Entertainment Pte. Ltd.;
- UnUsUaL Development Pte. Ltd.;
- UnUsUaL Entertainment International Limited.; and
- UnUsUaL Productions (M) Sdn. Bhd.

As a result of the acquisition, the Group will diversify the Group's revenue streams into events production and concert promotion.

Details of the consideration paid and the assets acquired and liabilities assumed, the non-controlling interests recognised and the effects on the cash flow on the Group, at the acquisition date, are as follows:

(i) Purchase consideration

	$'000
Cash paid	6,000
Deferred consideration (Note 38(b)(v))	20,000
Total purchase consideration	26,000

(ii) Effect on cash flows of the Group

	$'000
Cash paid (as above)	(6,000)
Less: cash and cash equivalents of subsidiary corporation acquired	(4,517)
Add: other payables due to NCI	4,517
Cash outflow on acquisition	(6,000)

38 BUSINESS COMBINATIONS (continued)

(b) UnUsUaL Limited. ("UnUsUaL") (formerly known as UnUsUaL Pte. Ltd.) and its subsidiary corporations (continued)

(iii) Identifiable assets acquired and liabilities assumed

	At fair value
	$'000
Cash and cash equivalents	4,517
Trade and other receivables	12,888
Income tax recoverable	204
Property, plant and equipment (Note 19)	2,132
Total assets	19,741
Trade and other payables	(6,224)
Current income tax liabilities	(329)
Dividends and other payables due to NCI (Note 38(b)(vi))	(8,411)
Borrowings	(620)
Deferred tax liabilities (Note 29)	(150)
Total liabilities	(15,734)
Total identifiable net assets	4,007
Less: Non-controlling interest proportion of the net fair value of identifiable net assets	(1,963)
Add: Goodwill (Note 20 and Note 38(b)(vii))	23,956
Total purchase consideration	26,000

(iv) Acquisition-related costs

Acquisition-related costs of $43,069 are included in "administrative expenses" in the consolidated statement of comprehensive income and included as part of the operating cash flows in the consolidated statement of cash flows.

(v) Deferred consideration

Based on the SPA, the deferred consideration of $20 million will be paid in following two tranches to NCI:

- The first tranche payment of up to $10 million shall be paid within 30 days from the date of the audited financial statements of the Group of financial year ended 31 March 2017.
- Second tranche of payment of approximately $10 million shall be paid within 30 days from the date of the audited financial statements of the Group of financial year ended 31 March 2019.

38 BUSINESS COMBINATIONS (continued)

(b) UnUsUaL Limited. ("UnUsUaL") (formerly known as UnUsUaL Pte. Ltd.) and its subsidiary corporations (continued)

(v) Deferred consideration (continued)

As stated in the SPA, the deferred consideration will be accelerated if the following events occur:

- any of the companies in UnUsUaL group of companies is listed on a recognised stock exchange; or
- the Company disposes of their interest in any of the Companies in UnUsUaL Group save for any restructuring in connection with the proposed listing of any of the companies in UnUsUaL Group; or
- the Company enters into a sales and purchase agreement relating to the proposed acquisition of a controlling interest in the Company.

The Company shall within 30 days from date of any of the events above pay in cash on the balance deferred consideration.

On 10 April 2017, UnUsUaL has listed on Catalist, the sponsor-supervised listing platform of SGX-ST. As a result of this event, deferred consideration of $20 million are payable within 30 days from date of event held. As of to-date, the deferred consideration remains unpaid as the Company and vendor has agreed to defer the payment up till the finalisation on the mode of repayment.

(vi) Dividend and other payable due to NCI

Dividend and other payable due to NCI consists of cash and cash equivalent, accounts receivables, accounts payables, term loan, finance lease payables and deferred tax liabilities identified at date of acquisition. In accordance to the SPA, these items are payable to the NCI.

(vii) Goodwill

The goodwill relating to this acquisition is provisional as the fair value of the identified net assets are provisionally determined. The initial purchase price allocation to identifiable net assets acquired are expected to be finalised within 12 months from date of acquisition hence the goodwill has not been allocated to the respective CGU. If new information obtained within one year from the acquisition date about the facts and circumstances that existed at the acquisition date identifies adjustment to the above amounts, or any additional provision and allowances that existed at the acquisition date, the accounting for the acquisition will be adjusted retrospectively.

(viii) Revenue and profit contribution

Contributed revenue of $22,963,292 and net profit of $5,213,839 by UnUsUaL to the Group from the financial period from 11 August 2016 to 31 March 2017. The disclosure of revenue and profit contribution had the acquisition occurred at the beginning of the financial year is impracticable as the information was not separable due to different financial year end, 31 December.

(ix) Non-controlling interest

The Group has chosen to recognise the 49% non-controlling interest arising from acquisitions of UnUsUaL based on their proportionate interests in the recognised amounts of assets and liabilities of UnUsUaL respectively.

38 BUSINESS COMBINATIONS (continued)

2016

(c) Vividthree Productions Pte. Ltd. ("Vividthree")

On 8 April 2015, the Group through its wholly-owned subsidiary corporation, mm2 Entertainment Pte. Ltd. ("MEPL") entered into a sale and purchase agreement with Yeo Eng Pu, Charles, Hong Wei Chien and Lee Hoon Hwee (collectively known as non-controlling interests "NCI") for the acquisition of 51% of the issued and paid-up ordinary shares of Vividthree. Vividthree is based in Singapore and is a leading player in Singapore's three-dimensional ("3D") animation on field, 3D stereoscopic animation on 3D animation and visual effects for feature films and commercials.

Details of the consideration paid and the assets acquired and liabilities assumed, and the non-controlling interests recognised and the effects on the cash flow on the Group, at the acquisition date, are as follows:

(i) Purchase consideration

	$'000
Cash paid	600
Deferred consideration (Note 38(c)(v))	2,313
Total purchase consideration	2,913

(ii) Effect on cash flows of the Group

	$'000
Cash paid (as above)	(600)
Less: cash and cash equivalents of subsidiary corporation acquired	(760)
Add: other payable due to NCI	760
Cash outflow on acquisition	(600)

38 BUSINESS COMBINATIONS (continued)

(c) Vividthree Productions Pte. Ltd. ("Vividthree") (continued)

(iii) Identifiable assets acquired and liabilities assumed

	At fair value $'000
Property, plant and equipment (Note 19)	320
Film inventories (Note 22)	40
Cash and cash equivalents	760
Trade and other receivables	1,106
Total assets	2,226
Trade and other payables	(415)
Dividend and other payable due to NCI (Note 38(c)(vi))	(1,344)
Borrowings	(323)
Deferred income tax liabilities (Note 29)	(25)
Total liabilities	(2,107)
Total identifiable net assets	119
Less: Non-controlling interests proportion of the net fair value of identifiable net assets	(58)
Add: Goodwill (Note 20 and Note 38(c)(vii))	2,852
Total purchase consideration	2,913

(iv) Acquisition-related costs

Acquisition-related costs of $86,765 are included in "administrative expenses" in the consolidated statement of comprehensive income and included as part of the operating cash flows in the consolidated statement of cash flows.

(v) Deferred consideration

Based on the sales and purchase agreement ("SPA"), in the event of Vividthree's net profit for the period from 1 April 2015 to 31 May 2016 is equal or exceeds $2,000,000, the fair value of the deferred consideration is approximately $2,313,000 as at acquisition date.

The deferred consideration as at 31 March 2016 increased by $147,000 to $2,460,000 due to unwinding of discount. The deferred consideration was fully repaid during the financial year ended 31 March 2017.

(vi) Dividend and other payable due to NCI

Dividend and other payable consists of cash and cash equivalents, accounts receivables and accounts payables identified at date of acquisition. In accordance to the SPA, these items are payable to the NCI.

(vii) Goodwill

The goodwill of $2,851,917 arising from the acquisition is attributable to the synergies such as Vividthree's complementary business areas within the film production value chain and Vividthree's 3D animation services as an enhancement to MEPL's competitive edge.

38 BUSINESS COMBINATIONS (continued)

(c) Vividthree Productions Pte. Ltd. ("Vividthree") (continued)

(viii) Revenue and profit contribution

The acquired business contributed revenue of $4,026,949 and net profit of $1,467,712 to the Group from the period from 1 April 2015 to 31 March 2016.

(d) Business assets from Cathay Cineplexes Sdn Bhd ("CCSB")

On 14 August 2015, the Group through its wholly-owned Malaysia incorporated subsidiary corporation, mm2 Screen Management Sdn Bhd entered into a sale and purchase agreement (the "SPA") with CCSB for the purchase of the business assets carried on at the following locations:

- Cathay Cineplex Damansara, e@Curve, No. 2A Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, Malaysia ("Cathay Cineplex Damansara"); and
- Cathay Cineplex City Square, Johor Bahru City Square, 106-108 Jalan Wong Ah Fook, 80000 Johor Bahru, Johor Darul Takzim, Malaysia ("Cathay Cineplex City Square").

Details of the consideration paid and the assets acquired at the acquisition date, are as follows:

(i) Purchase consideration

	$'000
Cash paid	7,034
Balance amount payable in cash	6,758
Total purchase consideration	13,792

(ii) Identifiable assets acquired

	At fair value $'000
Identifiable assets acquired:	
Property, plant and equipment (Note 19 and Note 38(d)(iv))	2,655
Add: Goodwill (Note 20 and Note 38(d)(v))	11,137
Total purchase consideration	13,792

(iii) Acquisition-related costs

Acquisition-related costs of $482,876 are included in "administrative expenses" in the consolidated statement of comprehensive income and included as part of the operating cash flows in the consolidated statement of cash flows.

(iv) Property, plant and equipment

The fair values of the acquired identifiable property, plant and equipment of $2,654,960 has been provisionally determined pending receipt of the final valuation reports from the independent valuer.

38 BUSINESS COMBINATIONS (continued)

(d) Business assets from Cathay Cineplexes Sdn Bhd ("CCSB") (continued)

(v) Goodwill

The acquisition of business assets for CCSB was completed on 30 October 2015 and as at 31 March 2016, the initial PPA to identifiable net assets acquired was not complete. The PPA was subsequently completed on 11 October 2016 and there were no significant adjustment required for the identifiable assets acquired. The goodwill of $11,137,040 is allocated to the cinema operation segment where the operation are held in Malaysia.

(vi) Revenue and profit contribution

The acquired business contributed revenue of $4,885,278 and net profit of $91,965 to the Group from the period from 1 November 2015 to 31 March 2016. The disclosure of revenue and profit contribution had the acquisition occurred at the beginning of the financial year is impracticable as the information was not accessible by reason of the acquisition being made on the purchase of the business assets, not an acquisition of a legal entity.

(e) mm2view Pte. Ltd. ("mm2view")

On 17 December 2015, the Company has signed an investment and shareholder agreement for the issue and allotment of 466,667 ordinary shares of mm2view with a subscription monies of $350,000. The shares subscription represents 70% of the enlarged share capital of mm2view. The Company has repaid $19,500 during the financial year and the balance remains payable as at 31 March 2017.

mm2view is incorporated in Singapore, a company specialising in developing Business to Consumer (B2C) mobile applications and digital interactive solutions for clients.

Revenue and profit contribution to the Group from the acquisition of mm2view from 1 April 2015 to 31 March 2016 is of negligible value as operations of mm2view has not commenced.

39 SIGNIFICANT EVENTS OCCURRING AFTER BALANCE SHEET DATE

(i) On 10 April 2017, the Company's indirect subsidiary corporation, UnUsUaL Pte. Ltd. has successfully listed on the Catalist, the sponsor-supervised listing platform of SGX-ST and has been renamed to UnUsUaL Limited. As a result, the immediate holding company, UnUsUaL Management Pte. Ltd.'s shareholdings is reduced from 96.77% to 82.18% and the Company's indirect shareholdings diluted from 49.35% to 41.91%. This dilution exercise do not result in loss of control over the subsidiary corporations.

(ii) On 3 May 2017, the Group through its wholly-owned subsidiary corporation, mm2 Entertainment Pte. Ltd., has entered into a binding Memorandum of Understanding ("MOU") with Cinema Pro Limited (影珀影院有限公司) and Kbro Media Co. Limited to acquire 3,200,000 new shares, totalling 19.68% of the enlarged share capital at HKD1.25 each in Cinema Pro Limited (影珀影院有限公司). The purchase consideration is approximately HKD4 million (equivalent to approximately $720,000). The aim is to target and expand the Company's cinema projects across North Asia and to increase the Company's presence in new cinema projects opportunities as well.

(iii) On 17 May 2017, the Group through its wholly-owned subsidiary corporation, mm2 Star Screen Sdn. Bhd., has entered into a sale of business agreement with Lotus Fivestar Cinemas (M) Sdn Bhd to acquire business assets in 13 locations at purchase consideration of RM118,000,000 (equivalent to approximately $37,224,000).

39 SIGNIFICANT EVENTS OCCURRING AFTER BALANCE SHEET DATE (continued)

(iv) On 31 May 2017, the Company has awarded a total of 959,400 shares pursuant to mm2 PSP at exercise price of $0.5980 per share to certain Directors, key management personnel, and employees of the Group and Company. These awarded share were vested immediately.

(v) On 13 June 2017, the Company has entered into a conditional Share Sale and Purchase Agreement ("SPA") with Village Cinemas Australia Pty Ltd ("Seller") to acquire the Seller's entire stake in Dartina Development Limited ("Dartina") which comprises 50% of the issued share capital of Dartina, with purchase consideration of approximately $184,253,623.

Dartina is an investment holding company incorporated in Hong Kong which holds, through its Singapore incorporated subsidiary corporations, the Golden Village Cinema business in Singapore. The Group expects this acquisition will further strengthen its presence in the downstream value chain of film distribution.

(vi) On 19 May 2017, the Company has entered into a placement agreement with DBS Bank Ltd. and Maybank Kim Eng Securities Pte Ltd as joint placement agents to procure subscribers to subscribe for an aggregate of 87,748,000 ordinary shares in the capital of the Company at a placement price of $0.57 for each placement share.

(vii) On 28 June 2017, the Company had incorporated a wholly-owned subsidiary corporation in Singapore, MM Connect Pte. Ltd. ("MM Connect") with a paid up capital of $1,000. The principal activity of MM Connect is investment holding.

40 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to improve clarity and conform to current year's presentation. These are presented as below:

	As previously disclosed $'000	Reclassification $'000	As restated $'000
Group			
Balance sheets:			
Non-current assets			
Intangible assets	25,283	(25,283)	–
Goodwill on acquisition	–	13,989	13,989
Film rights	–	8,811	8,811
Film intangibles and film inventories	–	2,281	2,281
Development of software	–	202	202
Consolidated statement of cash flows:			
Cash flows from operating activities			
Changes in working capital, net of effects from acquisition of subsidiary corporations:			
- Intangible assets	(2,256)	2,256	–
- Film intangibles and film inventories	–	(2,256)	(2,256)
Cash flows from investing activities			
Additions to intangible assets	(3)	3	–
Additions to development of software	–	(3)	(3)

41 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 April 2017 or later periods and which the Group has not early adopted:

Effective for annual period beginning on or after 1 January 2017

- Amendments to FRS 7: Disclosure Initiative
- Amendments to FRS 12: Recognition of Deferred Tax Assets for Unrealised Losses
- Improvements to FRSs (December 2016)
  - Amendments to FRS 112: Disclosure of Interest in Other Entities

Effective for annual period beginning on or after 1 January 2018

- FRS 109: Financial Instruments[(i)]
- FRS 115: Revenue from Contracts with Customers[(ii)]
- Amendments to FRS 40: Transfers of Investment Property
- Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions
- Amendments to FRS 115: Classifications to FRS 115 Revenue from Contracts with Customers
- INT FRS 122: Foreign Currency Transactions and Advance Consideration
- Improvements to FRSs (December 2016)
  - Amendments to FRS 28: Investments in Associates and Joint Ventures
  - Amendments to FRS 101: First-Time Adoption of Financial Reporting Standards

Effective for annual period beginning on or after 1 January 2019

- FRS 116: Leases[(iii)]

Effective date of the following standard had been revised from 1 January 2016 to a date to be determined by Accounting Standards Council

Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The directors do not anticipate that the adoption of FRSs, INT FRS and amendments to FRS in future financial periods will have a material impact on the financial statement of the Group and the Company except for the following:

(i) *FRS 109 Financial Instruments*

FRS 109 replaces the multiple classification and measurements model in FRS 39 Financial Instruments: Recognition and Measurement with a single model that has initially only two classification categories: amortised cost and fair value. The Group's financial assets comprise of loans and receivables and held-to-maturity financial assets. Therefore, the Group does not expect the new requirements to have a significant impact on the classification of its financial assets.

For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk to other comprehensive income, for liabilities designated at fair value through profit or loss. There will be no impact on the Group's accounting policies for financial liabilities as the Group does not have any of such liabilities.

Besides, a new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (ie. trade receivables). The Group does not have significant receivables hence, the expected credit loss model will not have significant impact to the Group.

41 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

(ii) *FRS 115 Revenue from Contracts and Customers*

This is the converged standard on revenue recognition. It replaces FRS11 Construction contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

(i) Rights of return – FRS 115 requires separate presentation on the statements of financial position of the right to recover the goods from the customer and the refund obligation; and

(ii) Accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under FRS 115.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessment of the impact over the next twelve months.

(iii) *FRS 116 Leases*

FRS 116 will result in almost all leases being recognised on the statements of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $3,359,000 (Note 33). However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

42 AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors of mm2 Asia Ltd. on 28 June 2017.

STATISTICS OF SHAREHOLDINGS

As at 23 June 2017

Share Capital

Class of Shares	**:**	Ordinary share
Number of Shares (excluding treasure shares)	**:**	1,048,740,820
Voting Rights	**:**	One vote per share
No. of treasury shares and percentage	**:**	Nil
No. of subsidiary holdings held and percentage	**:**	Nil

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1-99	2	0.12	67	0.00
100 - 1,000	137	8.02	105,500	0.01
1,001 – 10,000	693	40.60	4,590,700	0.44
10,001 – 1,000,000	831	48.68	66,802,864	6.37
1,000,001 and above	44	2.58	977,241,689	93.18
Total	**1,707**	**100.00**	**1,048,740,820**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	TWENTY LARGEST SHAREHOLDERS	No. of shares	%
1	HSBC (Singapore) Nominees Pte Ltd	225,448,400	21.50
2	StarHub Ltd	88,000,000	8.39
3	Nomura Singapore Limited	86,876,734	8.28
4	Citibank Nominees Singapore Pte Ltd	74,056,755	7.06
5	Melvin Ang Wee Chye	58,096,000	5.54
6	DBS Nominees Pte Ltd	48,026,801	4.58
7	KGI Securities (Singapore) Pte Ltd	43,821,900	4.18
8	Choo Meileen	36,672,800	3.50
9	Maybank Kim Eng Securities Pte Ltd	35,081,268	3.34
10	Phillip Securities Pte Ltd	31,202,600	2.97
11	RHB Securities Singapore Pte Ltd	30,637,500	2.92
12	United Overseas Bank Nominees Pte Ltd	28,301,500	2.70
13	CIMB Securities (Singapore) Pte Ltd	27,754,601	2.65
14	Apex Capital Group Pte Ltd	25,461,354	2.43
15	BNP Paribas Nominees Singapore Pte Ltd	24,816,400	2.36
16	DBSN Services Pte Ltd	17,366,200	1.65
17	HL Bank Nominees (S) Pte Ltd	11,200,000	1.07
18	Raffles Nominees (Pte) Ltd	8,561,800	0.82
19	Morgan Stanley Asia (S) Securities Pte Ltd	6,784,600	0.65
20	Maxi-Harvest Group Pte Ltd	6,276,200	0.60
	Total:	**914,443,413**	**87.19**

STATISTICS OF SHAREHOLDINGS

As at 23 June 2017

SUBSTANTIAL SHAREHOLDERS AS AT 23 JUNE 2017
(As recorded in Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
	No. of Shares	**%**	**No. of Shares**	**%**
Melvin Ang Wee Chye[1]	58,096,000	5.54	317,910,000	30.31
StarHub Ltd	88,000,000	8.39	–	–
Asia Mobile Holdings Pte. Ltd.[2]	–	–	88,000,000	8.39
Asia Mobile Holdings Company Pte. Ltd.[3]	–	–	88,000,000	8.39
STT Communications Ltd[4]	–	–	88,000,000	8.39
Singapore Technologies Telemedia Pte Ltd[5]	–	–	88,000,000	8.39
Temasek Holdings (Private) Limited[6]	–	–	88,000,000	8.39
Ooredoo Investment Holding S.P.C. [7]	–	–	88,000,000	8.39
Ooredoo QSC[7]	–	–	88,000,000	8.39
Yeo Khee Seng Benny[8]	–	–	94,253,688	9.00

Notes:

1. Mr. Melvin Ang Wee Chye is deemed to be interested in 10,000,000 ordinary shares held under the name of Maybank Kim Eng Securities Pte Ltd, 40,000,000 ordinary shares held under the name of KGI Fraser Securities Pte Ltd, 67,910,000 ordinary shares held under the name of Nomura Singapore Limited and 200,000,000 ordinary shares held under the name of HSBC (Singapore) Nominees Pte Ltd.

2. Asia Mobile Holdings Pte. Ltd. ("**AMH**") holds a direct interest of approximately 55.81% in StarHub Ltd ("**StarHub**"), AMH is deemed interested in all the shares held by StarHub in the Company.

3. Asia Mobile Holdings Company Pte. Ltd. ("**AMHC**") holds a direct interest of approximately 75% in AMH, which in turn holds a direct interest of approximately 55.81% in StarHub, AMHC is deemed interested in all the shares held by StarHub in the Company.

4. STT Communications Ltd ("**STTC**") holds a direct interest in the entire issued share capital of AMHC, which holds a direct interest of approximately 75% in AMH, which in turn holds a direct interest of approximately 55.81% in StarHub, STTC is deemed interested in all the shares held by StarHub in the Company.

5. Singapore Technologies Telemedia Pte Ltd ("**STT**") holds a direct interest in the entire issued share capital of STTC, which holds a direct interest in the entire issued share capital of AMHC, which in turn holds a direct interest of approximately 75% in AMH, which in turn holds direct interest of approximately 55.81% in StarHub, STT is deemed interested in all the shares held by StarHub in the Company.

6. StarHub is an indirect subsidiary of STT which in turn is a wholly-owned subsidiary of Temasek Holdings (Private) Limited ("**Temasek**"). Temasek is deemed interested in all the shares held by StarHub in the Company.

7. Ooredoo Investment Holdings S.P.C. ("**OIH**") holds a direct interest of approximately 25% in AMH, which in turn holds a direct interest of approximately 55.81% in StarHub, OIH is deemed interested in all the shares held by StarHub in the Company. OIH is a 100% subsidiary of Ooredoo QSC.

8. Mr. Yeo Khee Seng Benny ("**Mr. Yeo**") is deemed interested in 24,816,400 shares held by Beyond Sea Investment Limited ("**BSI**") by virtue of Section 4 of the Securities and Futures Act (Chapter 289) of Singapore ("**SFA**") as he owns 50% of the shareholdings of BSI. Mr. Yeo is also deemed interested in 25,461,354 shares held by Apex Capital Group Pte Ltd ("**Apex Capital**") by virtue of Section 4 of the SFA as he owns 70% of the shareholdings of Apex Capital. Mr. Yeo is also deemed interested in (i) 18,966,734 shares held under the name of Nomura Singapore Limited; and (ii) the 25,009,200 shares held under the name of DBS Nominees Private Limited.

PERCENTAGE OF SHAREHOLDINGS HELD IN PUBLIC'S HANDS

As at 23 June 2017, 44.30% of the Company's shares are held in the hand of public. Accordingly, the Company complied with Rule 723 of the Listing Manual – Section B: Rules of Catalist of the SGX-ST which requires 10% of the equity securities (excluding preference shares and convertible equity securities) in a class that is listed to be in the hand of the public.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of mm2 Asia Ltd. (the "**Company**") will be held at Six Battery Road, #10-01, Singapore 049909 on Thursday, 27 July 2017 at 4.00 p.m. (or at such time immediately following the Extraordinary General Meeting of the Company to be convened at 3.00 p.m. on the same day and at the same venue) to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements and Directors' Statement of the Company for the financial year ended 31 March 2017 together with the Independent Auditors' Report thereon.
Resolution 1

2. To approve the payment of Directors' fees of S$130,000 for the financial year ending 31 March 2018, to be paid quarterly in arrears.
Resolution 2

3. To re-elect the following Directors retiring pursuant to Regulation 107 of the Constitution of the Company:

   Mr. Melvin Ang Wee Chye **Resolution 3**
   Mr. Chia Seng Hee, Jack **Resolution 4**

   [See Explanatory Note (i)]

4. To re-appoint Messrs Nexia TS Public Accounting Corporation, as the Independent Auditor of the Company and to authorise the Directors to fix their remuneration.
Resolution 5

5. To transact any other ordinary business which may be properly transacted at an AGM.

AS SPECIAL BUSINESS

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

6. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") ("Mainboard Rules") or Rule 806 of the Listing Manual – Section B: Rules of the Catalist of the SGX-ST ("Catalist Rules") (as the case may be)**

   That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Mainboard Rules or Catalist Rules of the SGX-ST (as the case may be), 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 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 pursuant to any Instrument made or granted by the Directors while this Resolution was in force,

   (the "**Share Issue Mandate**")

provided that:

(1) In the event that the Company remains on the Catalist board of the SGX-ST, the aggregate number of shares (including shares to be issued pursuant to the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and Subsidiary Holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and Subsidiary Holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (3) below);

(2) In the event that the Company is transferred to the Mainboard of the SGX-ST, the aggregate number of shares (including shares to be issued pursuant to the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and Subsidiary Holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and Subsidiary Holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (3) below);

(3) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) and (2) above, the percentage of issued shares and Instruments shall be based on the number of issued shares (excluding treasury shares and Subsidiary Holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

   (a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;

   (b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and

   (c) any subsequent bonus issue, consolidation or subdivision of shares;

(4) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules or Mainboard Rules (as the case may be) for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(5) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (ii)]

Resolution 6

7. **Authority to issue shares under the mm2 Performance Share Plan**

That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to offer and grant share awards under the mm2 Performance Share Plan (the "**mm2 PSP**") 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 vesting of share awards under the mm2 PSP, 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 shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and Subsidiary Holdings) 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 AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)]

Resolution 7

8. **Proposed Renewal of Share Purchase Mandate**

That:

(a) for the purposes of Section 76C and 76E of the Companies Act, Chapter 50, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire the issued and fully-paid ordinary shares in the capital of the Company (the "**Shares**") not exceeding in aggregate the Maximum percentage (as defined below), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as defined below), whether by way of:-

(i) on-market purchases, transacted through the SGX-ST trading system, through one or more duly licensed stock brokers appointed by the Company for that purpose ("**Market Purchase**"); and/or

(ii) off-market purchases pursuant to an equal access scheme in accordance with Section 76C of the Companies Act, Chapter 50 ("**Off-Market Purchase**"),

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

(b) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:-

(i) the date on which the next AGM of the Company is held or required by law to be held;

(ii) the date on which the purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

(iii) the date on which the authority conferred by the Share Purchase Mandate is varied or revoked by shareholders of the Company in a general meeting;

whichever is the earliest;

(c) in this Resolution:-

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five Market Days ("**Market Day**" being a day on which the SGX-ST is open for trading in securities) on which the Shares are transacted on the SGX-ST, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the rules of the SGX-ST, for any corporate action that occurs after the relevant five-day period;

"**date of the making of the offer**" means the date on which the Company makes an offer for the purchase or acquisition of Shares from holder of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

"**Maximum Percentage**" means that number of issued Shares representing 10% of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares or Subsidiary Holdings as at that date);

"**Maximum Price**" in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:-

(i) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and

(ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price of the Shares;

(d) the Directors and/or any one of them be and are hereby authorised to deal with the Shares purchased or acquired by the Company pursuant to the Share Purchase Mandate in any manner as they think fit, which is permissible under the Companies Act, Chapter 50; and

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

[See Explanatory Note (iv)]

Resolution 8

By Order of the Board

Shirley Tan Sey Liy
Company Secretary
Singapore, 12 July 2017

Explanatory Notes:

(i) Mr. Melvin Ang Wee Chye will, upon re-election as a Director of the Company, remain as the Executive Chairman and a member of the Nominating Committee.

Mr. Chia Seng Hee, Jack will, upon re-election as a Director of the Company, remain as the Independent Director and the Chairman of the Audit Committee and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules or Rule 704(8) of the Mainboard Rules (as the case may be).

(ii) Resolution 6 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM 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. If the Company is listed on the Mainboard of the SGX-ST, a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares and Subsidiary Holdings) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro rata basis to existing shareholders of the Company;

b. If the Company is listed on the Catalist board of the SGX-ST, a number not exceeding, in total, one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and Subsidiary Holdings) in the capital of the Company, of which up to fifty per centum (50%) may be issued other than on a pro rata basis to existing shareholders of the Company;

(iii) Resolution 7 above, if passed, will empower the Directors of the Company, from the date of this AGM until the next AGM of the Company, or the date by which the next AGM 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 allot and issue shares in the Company pursuant to the vesting of share awards under the mm2 PSP provided that the aggregate additional shares to be allotted and issued pursuant to the mm2 PSP do not exceed in total (for the entire duration of the mm2 PSP) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

(iv) Resolution 8 above, if passed, will empower the Directors of the Company from the date of this AGM until the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares and Subsidiary Holdings) in the capital of the Company at the Maximum Price as defined in the Appendix. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase and acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial statements of the Group for the financial year ended 31 March 2017 are set out in greater detail in the Appendix.

Notes:

1. A Member (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting (the "**Meeting**") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

3. Where a member appoints two proxies, he/she/it shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.

4. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. The appointment of proxy must be executed under seal or the hand of its duly authorised officer or attorney in writing.

5. The instrument appointing a proxy must be deposited at the registered office of the Company at 1002 Jalan Bukit Merah #07-11 Singapore 159456 not less than forty-eight (48) hours before the meeting.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Chapter 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; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 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.

Personal Data Privacy

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM 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 AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (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.

MM2 ASIA LTD.
(Company Registration No. 201424372N)
(Incorporated In Singapore)

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS 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, ____________________ (Name) NRIC / Passport No. ____________

of____ (Address)

being *a member/members of **MM2 ASIA LTD.** (the "**Company**"), hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings	
			No of Shares	%

*and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings	
			No of Shares	%

as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at Six Battery Road, #10-01, Singapore 049909 on Thursday, 27 July 2017 at 4.00 p.m. (or at such time immediately following the Extraordinary General Meeting of the Company to be convened at 3.00 p.m. on the same day and at the same venue). 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 or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her* discretion.

No.	Resolutions relating to:	No. of Votes For**	No. of Votes Against**
Ordinary Business			
1	Audited Financial Statements for the financial year ended 31 March 2017		
2	Approval of Directors' fees amounting to S$130,000 for the financial year ending 31 March 2018, to be paid quarterly in arrears		
3	Re-election of Mr. Melvin Ang Wee Chye as a Director		
4	Re-election of Mr. Chia Seng Hee, Jack as a Director		
5	Re-appointment of Messrs Nexia TS Public Accounting Corporation as the Independent Auditor and to authorise the Directors to fix their remuneration		
Special Business			
6	Authority to allot and issue new shares		
7	Authority to allot and issue shares under the mm2 Performance Share Plan		
8	Proposed renewal of Share Purchase Mandate		

** *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 Member
and / or, Common Seal of Corporate Shareholder
* Delete where inapplicable

IMPORTANT: Please read notes overleaf

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 of Singapore), 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 (other than a Relevant Intermediary*) entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member (other than a Relevant Intermediary*) 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 Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).

5. Subject to note 9, 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 1002 Jalan Bukit Merah #07-11 Singapore 159456 not less than forty-eight (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, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

*A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Chapter 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; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 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.

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 seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 July 2017.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Melvin Ang *(Executive Chairman and Executive Director)*
Tan Liang Pheng *(Lead Independent Director)*
Jack Chia *(Independent Director)*
Thomas Lei *(Independent Director)*
Terry Mak *(Non-Executive Director)*
Mock Pak Lum *(Non-Executive Director)*

AUDIT COMMITTEE
Jack Chia *(Chairman)*
Tan Liang Pheng
Thomas Lei

REMUNERATION COMMITTEE
Tan Liang Pheng *(Chairman)*
Terry Mak
Thomas Lei

NOMINATING COMMITTEE
Thomas Lei *(Chairman)*
Melvin Ang
Tan Liang Pheng

COMPANY SECRETARY
Shirley Tan Sey Liy *(ACIS)*

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE
1002 Jalan Bukit Merah
#07-11 Redhill Industrial Estate
Singapore 159456

PRINCIPAL PLACE OF BUSINESS IN MALAYSIA
B-06-03, Menara Bata PJ Trade Centre
No. 8 Jalan PJU 8/8A
Bandar Damansara Perdana
47820 Petaling Jaya, Selangor, Malaysia

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Suite 14, 5/F
19 Wang Hoi Road
Kenning Industrial Building
Kowloon Bay, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN CHINA
Room 1602
No. 150 Hui Xin International Building
Pu Hui Tang Road
Shanghai, China 200030

SHARE REGISTRAR
B.A.C.S. Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544

EXTERNAL AUDITORS
Nexia TS Public Accounting Corporation
100 Beach Road
#30-00 Shaw Tower
Singapore 189702

Director-in-charge
Philip Tan Jing Choon
(Appointed since financial year ended 31 March 2016)

PRINCIPAL BANKERS
Oversea-Chinese Banking Corporation Limited
65 Chulia Street
OCBC Centre
Singapore 049513

Malayan Banking Berhad
2 Battery Road
Maybank Tower
Singapore 049907

CONTINUING SPONSOR
Hong Leong Finance Limited
16 Raffles Quay
#01-05 Hong Leong Building
Singapore 048581

COMPANY WEBSITE
http://www.mm2asia.com

STOCK CODE
1B0

mm2 Asia Ltd.

(Company Registration Number: 201424372N)
(Incorporated in Singapore on 20 August 2014)

1002, Jalan Bukit Merah
#07-11 Singapore 159456

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Website: www.mm2asia.com

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