spackmanentertainmentgroup

AR 2018

CORPORATE PROFILE

ABOUT SPACKMAN ENTERTAINMENT GROUP

Spackman Entertainment Group Limited ("**SEGL**" or the "**Company**"), and together with its subsidiaries, (the "**Group**"), one of Korea's leading entertainment production groups is primarily engaged in the independent development, production, presentation, and financing of theatrical motion pictures in Korea. In order to diversify our revenue streams, we have expanded our business portfolio to include the production of Korean television dramas. In addition to our content business, we also make investments into entertainment companies and film funds that can financially and strategically complement our existing core operations. SEGL is listed on the Catalist of the Singapore Exchange Securities Trading Limited under the ticker 40E.

Our films are theatrically distributed and released in Korea and overseas markets, as well as for subsequent post-theatrical worldwide release in other forms of media, including cable TV, broadcast TV, IPTV, Video On Demand ("**VOD**"), and home video/DVD, etc. We release all of our motion pictures into wide-theatrical exhibition initially in Korea, and then in overseas and ancillary markets.

Zip Cinema

SEGL's Zip Cinema Co., Ltd. ("**Zip Cinema**") is one of the most recognised film production labels in Korea and has originated and produced some of Korea's most commercially successful theatrical films, consecutively producing 9 profitable movies since 2009 representing an industry leading track record. Recent theatrical releases of Zip Cinema's motion pictures include some of Korea's highest grossing and award-winning films such as *DEFAULT* (2018), *MASTER* (2016), *THE PRIESTS* (2015), *COLD EYES* (2013), and *ALL ABOUT MY WIFE* (2012). For more information on Zip Cinema, do visit http://zipcine.com

Take Pictures

The Company owns a 100% equity interest in Take Pictures Pte. Ltd. ("**Take Pictures**") which has a strong lineup of 10 film projects including *STONE SKIPPING* and the co-production with Zip Cinema for *THE PRIESTS 2*.

Novus Mediacorp

SEGL also owns Novus Mediacorp Co., Ltd. ("**Novus Mediacorp**"), an investor, presenter, and/or post-theatrical distributor for a total of 79 films (58 Korean and 21 foreign) including *ROSE OF BETRAYAL*, *THE OUTLAWS* and *SECRETLY, GREATLY*, which was one of the biggest box office hits of 2013 starring Kim Soo-hyun of *MY LOVE FROM THE STARS* fame, as well as *FRIEND 2: THE GREAT LEGACY*. In 2012, Novus Mediacorp was also the post-theatrical rights distributor of *ALL ABOUT MY WIFE*, a top-grossing romantic comedy produced by Zip Cinema. In 2018, *THE OUTLAWS*, co-presented by Novus Mediacorp broke the all-time highest **VOD** sales records in Korea. Novus Mediacorp is currently in the process of seeking a listing on the Singapore Stock Exchange. For more information on Novus Mediacorp, do visit http://novusmediacorp.com

Frame Pictures

The Group owns a 100% equity interest in Frame Pictures Co., Ltd. ("**Frame Pictures**"). Frame Pictures is a leader in the movie/drama equipment leasing business in Korea. Established in 2014, Frame Pictures has worked with over 25 top directors and provided the camera and lighting equipment for some of Korea's most notable drama and movie projects including the upcoming Korean film *GIRL COPS* (2018) featuring rising star Wi Ha-jun of SMGL and *THE GREATEST DIVORCE* (2018) starring Bae Doona of SMGL. In 2018, Frame Pictures has also won contracts to supply equipment to *FOUR MEN* (2019), *ASADAL CHRONICLES* (2019), *THE CROWNED CLOWN* (2019), *THE BEAUTY INSIDE* (2018), *HUNDRED MILLION STARS FROM THE SKY* (2018), *LOVELY HORRIBLY* (2018), *THE GUEST* (2018), historical Korean movie *MALMOI*, *SUITS* (2018) featuring Park Hyung-sik of SMGL, *MISTRESS* (2018), *LIFE* (2018), *LIVE* (2018) starring Lee Kwang-soo of *RUNNING MAN*, *MY MISTER* (2018) and Netflix's first Korean original production *LOVE ALARM* (2018). Frame Pictures and Novus Mediacorp are currently seeking to list on the Singapore Stock Exchange. For more information on Novus Mediacorp, do visit http://framepictures.co.kr/

On 7 May 2018, the Company announced that it would spin-off Novus Mediacorp and Frame Pictures into a combined entity to seek listing on the Catalist Board of the Singapore Exchange Securities Trading Limited to exploit the growing post-theatrical and camera equipment leasing markets.

Constellation Agency

The Company owns a 100% equity interest in Constellation Agency Pte. Ltd. ("**Constellation Agency**"). Constellation Agency, which owns The P Factory Co., Ltd. ("**The P Factory**") and Platform Media Group Co., Ltd. ("**PMG**"), is primarily involved in the business of overseas agency for Korean artists venturing into the overseas market. The P Factory is an innovative marketing solutions provider specializing in event and branded content production. PMG is a talent management agency which represents and manages the careers of major artists in film, television, commercial endorsements, and branded entertainment.

Greenlight Content

The Company owns a 100% equity interest in Greenlight Content Limited which is mainly involved in the business of investing into dramas and movies, as well as providing consulting services for the production of Korean content.

Spackman Media Group

The Company holds an effective shareholding interest of 43.88% in Spackman Media Group Limited ("**SMGL**"). SMGL, a company incorporated in Hong Kong, together with its subsidiaries, is collectively one of the largest entertainment talent agencies in Korea in terms of the number of artists under management, including some of the top names in the Korean entertainment industry. SMGL operates its talent management business through renowned agencies such as MS Team Entertainment Co., Ltd., UAA & Co Inc., Fiftyone K Inc., SBD Entertainment Inc., and Kook Entertainment Co., Ltd. Through these full-service talent agencies in Korea, SMGL represents and guides the professional careers of a leading roster of award-winning actors/actresses in the practice areas of motion pictures, television, commercial endorsements, and branded entertainment. SMGL leverages its unparalleled portfolio of artists as a platform to develop, produce, finance and own the highest quality of entertainment content projects, including theatrical motion pictures, variety shows, and TV dramas. This platform also creates and derives opportunities for SMGL to make strategic investments in development stage businesses that can collaborate with SMGL artists. SMGL is an associated company of the Company.

The Group also operates a café-lounge called Upper West, in the Gangnam district of Seoul and own a professional photography studio, noon pictures Co., Ltd..

For more details, do visit http://www.spackmanentertainmentgroup.com/

CONTENTS

JOINT MESSAGE FROM NON-EXECUTIVE CHAIRMAN & CEO

DEAR SHAREHOLDERS,

On behalf of the Board of Spackman Entertainment Group Limited ("**SEGL**" or the "**Company**" and together with its subsidiaries, the "**Group**"), we present to you our annual report for the financial year ended 31 December 2018 ("**FY2018**").

During the year, the Group embarked on several key corporate developments to cement our position in the Korean entertainment sector. We forayed into drama production which we believe is a fast-growing segment especially in Southeast Asia where demand for quality Korean content is burgeoning. With the new appointments and management restructuring, we are boldly forging ahead in revamping our business model. The main objective is to ramp up our revenue streams in order to reduce our reliance on film production.

SUCCESSFUL ENTRY INTO KOREAN DRAMA PRODUCTION

The Group's first co-produced drama, *TERIUS BEHIND ME*, which starred top Korean actor So Ji Sub of our associated company, Spackman Media Group Limited ("**SMGL**"), achieved #1 in drama viewership ratings for its time slot. The romantic comedy mystery drama, which premiered top in Korea, marked our maiden foray into drama production.
In November 2018, the Group acquired Greenlight Content Limited ("**Greenlight Content**"), which is primarily involved in the business of investing into dramas and movies as well as providing consulting services for the production of Korean content. The acquisition of Greenlight Content has allowed the Group to reinforce its foothold into the Korean drama sector. *TERIUS BEHIND ME* was awarded "Drama of the Year" at the 2018 MBC Drama Awards.

With the success of *TERIUS BEHIND ME*, in which Greenlight Content is one of the major investors of, we look forward to launching more top quality dramas in Korea and shall seek potential collaboration with media partners across Southeast Asia to produce such content.

JOINT MESSAGE FROM NON-EXECUTIVE CHAIRMAN & CEO

SCALING OUR PRODUCTION OF QUALITY KOREAN BLOCKBUSTER FILMS

Our wholly-owned subsidiary, Zip Cinema Co., Ltd. ("**Zip Cinema**"), continued its streak of producing commercially successful films with the release of the Korean financial thriller movie, *DEFAULT*, which was distributed by CJ Entertainment and presold to 17 countries, opened #1 and crossed the 2 million audience mark nine days since its release at the Korean box office. The film surpassed its break-even point of 2.6 million within 12 days of its opening and eventually raked a total of 3.8 million tickets, grossing US$27.2 million at the Korean theatres. *DEFAULT* was headlined by Yoo Ah-in of SMGL, who was named as one of "The Best Actors of 2018" by The New York Times. In addition to being the producer of *DEFAULT*, the Group is one of the investors of the film.

Zip Cinema's upcoming romantic comedy film, *CRAZY ROMANCE*, commenced filming in January 2019 and is expected to premiere in Korea in 2019. Presented and distributed by Next Entertainment World Co., Ltd., The film is expected to premiere in Korea in 2019.

We also own a 100% equity interest in Take Pictures which wholly-owns Studio Take Co., Ltd. ("**Studio Take**"), founded by veteran movie producer Mr Song Dae-chan. Studio Take's first production is upcoming human drama movie, *STONE SKIPPING*, which was screened at the 23rd Busan International Film Festival in October 2018. The film is expected to be released in Korea in 2019. With the release of *STONE SKIPPING*, Studio Take has started to contribute to the Group's film production capability.

The Group also invested a 20% equity interest in The Makers Studio Co. Ltd., which plans to produce and release four upcoming films, the first of which will be a comedy horror film, *THE ISLAND OF THE GHOST'S WAIL*. The film is slated to be released in 2020.

SPIN-OFF & LISTING OF POST-THEATRICAL & CAMERA EQUIPMENT LEASING BUSINESS

In order to exploit the growing post-theatrical and camera equipment leasing markets in Korea and Southeast Asia, we have planned to separately list our post-theatrical business, Novus Mediacorp Co., Ltd., and our camera equipment leasing business, Frame Pictures Co. Ltd., as a combined standalone entity independent of the Group. Progress on the spin-off and listing of these two entities are on-going and we intend to submit the preclearance letter to SGX in due course.

INCREASING NON-PRODUCTION REVENUE VIA COLLABORATIVE BUSINESSES

Following the new management appointments and restructuring, we will strengthen our capabilities beyond just focusing on the production of one or two blockbuster movies per year. We shall continue to diversify our revenue streams by generating synergistic businesses outside of film production that can capitalize on the brand power of SMGL's artists. By tapping on the talent management platform of SMGL, which is collectively one of the largest entertainment talent agencies in Korea, we shall be able to invest into growing brands in consumer markets that can benefit from the association with Korean celebrities in Southeast Asia.

STRATEGIC EQUITY STAKE IN SPACKMAN MEDIA GROUP LIMITED

Over the year, the Group increased its shareholding in its associated company, SMGL, from 33.76% to 43.88%. The Group believes that by capitalizing on SMGL's portfolio of artists, the Group shall be able to participate into the highest quality content projects and build a portfolio of collaborative businesses. SMGL currently serves as a platform for the Group to invest and participate in the highest quality entertainment content projects which would have been previously impossible to gain entry in the Korean entertainment sector.

SMGL has allowed the Group to successfully invest and participate into *TERIUS BEHIND ME*, *BE WITH YOU*, a historical record-breaking melodrama film starring Korean megastar Son Ye-jin and So Ji Sub from SMGL, and *THE LAST PRINCESS*, a period film headlined by Son Ye-jin of SMGL. These are exemplary projects which can value-add to the Group's operations through a multitude of direct and indirect channels such as production fees and investment return.

LISTING PLAN OF SPACKMAN MEDIA GROUP LIMITED

SMGL is currently reviewing various options to finance future growth, including listing to maximize its potential value. We believe that SMGL, together with our other entities in the Korean entertainment sector, is well-equipped with the resources to build its own eco-system in order to participate into the highest quality entertainment content projects. The Group can then leverage on a multitude of direct and indirect channels in these projects including production & investment return, artists fees and endorsement fees to deliver higher financial and operating performance as a whole.

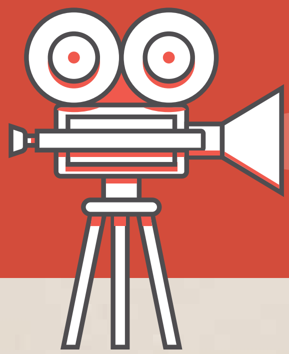
APPRECIATION

We would like to also take this opportunity to express our appreciation to our stakeholders, including our shareholders, partners and associates for their faith and support in us.

ANTHONY WONG
Non-executive & Independent Chairman

JOHN KO
Chief Executive Officer

FINANCIAL HIGHLIGHTS



REVENUE
FY 2018
21.7M
20.6 M
FY 2017

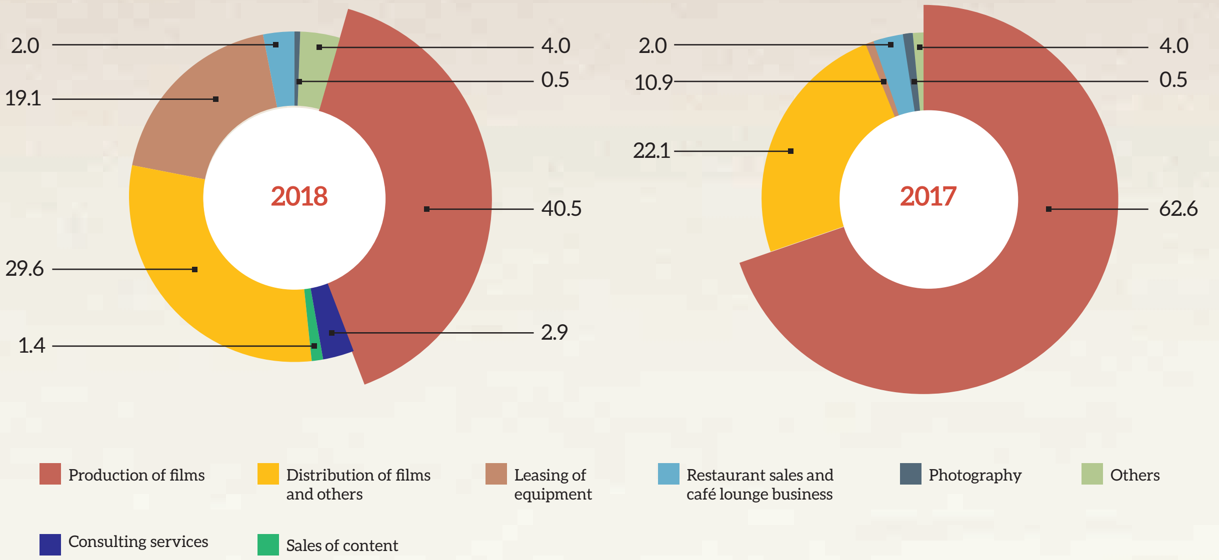
PROFIT/(LOSS)
FY 2018
(1.7)M
3.0 M
FY 2017

SHAREHOLDERS' EQUITY FY 2018
53.3M
28.9 M
FY 2017

CURRENT RATIO
31 Dec 2018
2.0

DEBT TO EQUITY
31 Dec 2018
0.2

REVENUE BREAKDOWN (%)



Notes:
(1) This comprised the fixed fee when the Group only undertakes the role of the producer and share of profit from films for acting as the producer.
(2) This comprised revenue from our share of profit from films for acting as the producer and presenter and revenue from film presentation, investment and distribution. Revenue from distribution of films and others is recognized upon settlement of the proceeds (i.e. payments of taxes on tickets, other charge and fees and deductions by movie theatres and theatre circuits of their respective share of the box office sales) from the box office and ancillary market.

OUR BUSINESS

spackmanentertainmentgroup

THEATRICAL FILM

- Zip Cinema is a leading film production label in Korea
- Take Pictures is a motion production company in Korea
- Participate in film projects as an investor, producer and presenter

DRAMA PRODUCTION

- Launched into drama production starting with TV romantic comedy drama, *TERIUS BEHIND ME*
- Acquisition of Greenlight Content which is the business of investing into & providing consulting services for drama/film

POST-THEATRICAL

- Novus is a renowned post-theatrical distributor of Korean films in Korea

CAMERA EQUIPMENT LEASING

- Frame Pictures is a leader in the movie/drama equipment leasing business in Korea

PROPOSED SPIN-OFF LISTING OF NOVUS MEDIACORP AND FRAME PICTURES AS A COMBINED ENTITY ON SGX-ST

TALENT MANAGEMENT

- Associated company, Spackman Limited Media Group, is collectively one of the largest entertainment talent agencies in Korea in terms of the number of artistes under management and using this talent management platform to participate in content
- Constellation Agency is primarily involved in the business of overseas agency for Korean artists venturing into the overseas market

COLLABORATIVE BUSINESS

- Upper West is a café-lounge in the Gangnam district of Seoul
- Noon pictures is a professional photography studio
- Skin Inc. Global is a leading Singapore-based skincare brand
- Nunsongyee is a popular Korean dessert café chain in Singapore

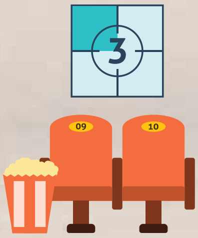
FILM BUSINESS MODEL

TOTAL BOX OFFICE REVENUE (100%)

(-MINUS)

THEATRE OPERATOR FEES (50%)

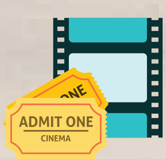
Theatre Operator takes approximately **50%** of gross Box Office



(-MINUS)

DISTRIBUTION FEE & MARKETING COSTS & PRESENTER FEE

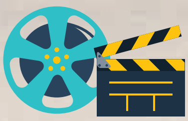
Distributor takes **10%** of the amount of box office revenue not kept by theatre operators. Presenter takes **2%** of Total Production Budget



(-MINUS)

TOTAL PRODUCTION BUDGET

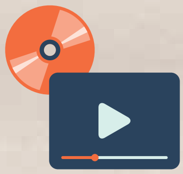
Production Budget and P&A* Budget



(+PLUS)

ANCILLARY & INTERNATIONAL SALES

Ancillary Revenues (IPTV, Internet VOD, Mobile, DVD)



(EQUAL)

NET PROCEEDS FROM REVENUE

PRODUCER RECEIVES 40% OF PROFITS

INVESTOR RECEIVES 60% OF PROFITS

OUR THEATRICAL FILM BUSINESS

PRODUCER

- Originate & develop screenplay
- Procure screenwriters, directors, cast and crew
- Oversee & manage actual filming
- Manage post-production
- Develop marketing strategies for film

PRESENTER

- Raise finance for total production budget
- Enter agreement to distribute film in theatres and overseas
- Enter agreement for ancillary distribution
- Administer expenses of production, distribution & marketing
- Settle & distribute revenue from film

DISTRIBUTOR

- Distribute films in Korea
- Distribute on picture-by-picture basis
- Distribute in theatres & via IPTV & VOD or only via IPTV & VOD

INVESTOR

- Invest money into films for a percentage share of the film's profits to the investors
- Investors as a group typically receive a total of 60% of film's profit, with the other 40% paid to Producer
- Generally invest up to 30% of total production budget (including P&A)

OPERATIONS AND FINANCIAL REVIEW

OPERATIONS REVIEW

THEATRICAL FILM BUSINESS

The Group's Korean financial thriller film, *DEFAULT*, which recorded 3.8 million tickets and posted US$27.2 million at the Korean box office, was released in late November of 2018. Other than being the producer of *DEFAULT*, the Group invested 10% of the total production budget of the film. The Group expects to fully recognize its share of profit for acting as the producer and return on investment as a passive investor of *DEFAULT* in the upcoming first half of 2019. The total production budget for *DEFAULT*, including prints and advertising costs, was approximately KRW 9.7 billion (or US$8.6 million).

The Group has two upcoming films in 2019, namely *CRAZY ROMANCE* produced by Zip Cinema and *STONE SKIPPING* produced by Studio Take. The estimated total production budget (including prints and advertising costs) for *CRAZY ROMANCE* is tentatively set at approximately KRW6.7 billion (or US$6.0 million).

The Group also invested a 20% equity interest in The Makers Studio Co. Ltd., which plans to produce and release four upcoming films, the first of which will be *THE ISLAND OF THE GHOST'S WAIL*, a comedy horror film with a tentative budget of KRW 3 billion (or US$2.7 million), excluding prints and advertising costs. The film is slated to be released in 2020.

PARTICIPATION INTO TOP QUALITY PROJECTS

By leveraging on SMGL, collectively one of the largest entertainment talent agencies in Korea in terms of the number of artists under management, the Group has successfully participated and invested in two highly acclaimed films and a top drama in Korea last year, *BE WITH YOU*, and *TERIUS BEHIND ME*. *BE WITH YOU* is a Korean melodrama film which broke the all-time first week box office historical record for romance film in Korea. The Group was a major investor of *BE WITH YOU*, starring Korean megastars Son Ye-jin and So Ji Sub of SMGL. *BE WITH YOU* achieved 2.6 million tickets and grossed US$18.3 million at the Korean box office.

FORAY INTO DRAMA PRODUCTION

During FY2018, the Group acquired Greenlight Content Limited ("**Greenlight Content**") to enable it to penetrate into the Korean drama production market and raise the utilization rate of SMGL to participate into quality entertainment content projects. Greenlight Content is primarily involved in the business of investing into dramas and movies, as well as providing consulting services for the production of Korean content. The Group is a main investor of its first co-produced drama *TERIUS BEHIND ME*, a romantic comedy mystery drama starring So Ji Sub of the SMGL. The romantic comedy mystery drama opened top on its premiere day and maintained #1 position in drama viewership ratings for its time slot in Korea. *TERIUS BEHIND ME* was awarded "Drama Of The Year" and So Ji Sub of SMGL won the "Top Excellence Award" & "Grand Prize" for his leading role in this drama at the 2018 MBC Drama Awards.

HEALTHY PIPELINE OF CAMERA EQUIPMENT CONTRACTS

In 2018, Frame Pictures secured three upcoming drama series, *FOUR MEN*, *ASADAL CHRONICLES* and *THE CROWNED CLOWN*, upcoming Korean film *GIRL COPS* (2018) featuring rising star Wi Ha-jun of SMGL and *THE GREATEST DIVORCE* (2018) starring Bae Doona of SMGL. During the year, Frame Pictures also won contracts to supply equipment to *THE BEAUTY INSIDE* (2018), *HUNDRED MILLION STARS FROM THE SKY* (2018), *LOVELY HORRIBLY* (2018), *THE GUEST* (2018), historical Korean movie *MALMOI*, *SUITS* (2018) featuring Park Hyung-sik of SMGL, *MISTRESS* (2018), *LIFE* (2018), *LIVE* (2018) starring Lee Kwang-soo of *RUNNING MAN*, *MY MISTER* (2018) and Netflix's first Korean original production *LOVE ALARM* (2018).

FINANCIAL REVIEW

REVENUE

Revenue increased by 5% year-on-year ("**YoY**") to US$21.67 million in FY2018, mainly due to the following:

(i) an increase of US$1.86 million from distribution of films and others mainly due to the recognition of the sales of distribution rights/video on demand sales ("the **post-theatrical sales**") for the post-theatrical market in Korea for *THE OUTLAWS* (co-presented by the Company's 51%-owned subsidiary, Novus Mediacorp Co., Ltd. ("**Novus**")) of US$5.76 million and other motion films of US$0.43 million, as opposed to the post theatrical sales for *THE OUTLAWS* of US$2.60 million and other motion films of US$1.68 million recognized in FY2017;

(ii) an increase of US$1.89 million from leasing of equipment to third parties by Frame Pictures Co., Ltd. ("**Frame Pictures**") which was acquired on 31 March 2017; (iii) the acquisition of Constellation Agency Pte. Ltd. ("**Constellation**") on 25 January 2018 resulted in an increase of US$0.29 million in sales of content, US$0.20 million in consulting services, and US$0.70 million in others. Others mainly comprised of revenue from the production of commercial films and talent management; and (iv) the acquisition of Greenlight Content on 8 November 2018 resulted in an increase of US$0.39 million in consulting services. The increase was partially offset by a decrease in production of films of US$4.07 million mainly due to lower revenue from the production of films was recorded in FY2018 as the percentage-of-completion of *CRAZY ROMANCE* (based on costs incurred relative to total expected costs) in FY2018 was lower compared to that *GOLDEN SLUMBER* in FY2017.

COST OF SALES

Cost of sales increased by 13% YoY to US$13.90 million in FY2018, mainly attributable to the following: (i) an increase of US$1.60 million from distribution of films and others mainly due to higher copyright fee of *THE OUTLAWS* by US$2.55 million recognized in FY2018, partially offset by a decrease of US$0.96 million due to fewer motion films distributed by the Group in FY2018; (ii) the acquisition of Constellation resulted in an increase of US$0.19 million in sales of content and US$0.27 million in others. Others mainly comprised of costs incurred from the production of commercial films and talent management; and (iii) an increase of US$0.88 million from leasing of equipment to third parties by Frame Pictures. The increase was partially offset by a decrease of US$1.26 million from production of films mainly due to lower production costs incurred in FY2018 for *CRAZY ROMANCE* as compared to the production costs that were incurred in FY2017 for *GOLDEN SLUMBER*, based on the percentage-of-completion method.

GROSS PROFIT

The Group recorded a gross profit of US$7.77 million in FY2018 as compared to a gross profit of US$8.28 in FY2017. The gross profit margin decreased from 40% in FY2017 to 36% in FY2018 was mainly due to gross profit of US$3.23 million from leasing of equipment to third parties by Frame Pictures, gross profit of US$1.74 million from distributing *THE OUTLAWS*, gross profit from newly acquired wholly owned subsidiary, Constellation and Greenlight Content which contributed US$0.72 million and S$0.39 million respectively and the recognition of share of profit for acting as the producer for *DEFAULT* of US$0.60 million and return of investment as a passive investor for *DEFAULT* of US$0.21 million in FY2018.

OTHER INCOME

Other income decreased by 80% YoY to US$0.69 million in FY2018, mainly because there was an absence of non-recurring gain of US$2.70 million in FY2017 on partial disposal of 497,250 shares of the Company's associated company, SMGL, as part of the purchase consideration of the acquisition of Frame Pictures.

OPERATIONS AND FINANCIAL REVIEW

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased by US$1.99 million or 33% YoY to US$8.03 million in FY2018. The increase was mainly due to the acquisition of Take Pictures Pte. Ltd ("**Take Pictures**"), Frame Pictures and Constellation of US$0.70 million, an increase in allowance for doubtful debts of U$0.50 million and an increase in amortization of intangible assets from the acquisition of Take Pictures and Constellation of US$0.38 million. The acquisition of Take Pictures, Frame Pictures and Constellation resulted in an increase in personnel expenses due to increase in number of employees, service fee and rental expenses. The increase in allowance for doubtful debts of US$0.50 million was due to provision for bad debt allowance on receivables from a 3rd party production company.

SHARE OF RESULTS OF ASSOCIATE

The share of results of associate of a loss of US$0.17 million in FY2018 (FY2017: a profit of US$0.03 million) was attributable to the loss from the Company's 43.88% – owned associated company, SMGL. The loss was mainly attributable to the profit from talent management business of US$0.12 million and offset by a loss of US$0.28 million incurred by SMGL at the company level due to general and administrative expenses.

TAX EXPENSE

The Group recorded tax expense of US$0.32 million in FY2018 (FY2017: tax expense of US$0.70 million) mainly due to taxable earnings generated by Novus and Frame Pictures in FY2018. Taxable earnings generated by Novus and Frame Pictures in FY2018 was mainly attributable to the post-theatrical sales for the post-theatrical market in Korea for *THE OUTLAWS* and leasing of equipment to third parties respectively.

LOSS BEFORE TAX

As a result of the above, the Group recorded a loss before tax of US$1.40 million in FY2018 as compared to a profit before tax of US$3.71 million in FY2017.

FINANCIAL POSITION

NON-CURRENT ASSETS

The Group's non-current assets amounted to US$51.33 million as at 31 December 2018. The increase in non-current assets from US$24.42 million as at 31 December 2017 was mainly due to: i) Increase in investment in associated company of US$12.38 million mainly due to additional acquisition of 4,565,288 shares in SMGL at a consideration of US$11.29 million, an indirect increase in investment in SMGL by 500,000 shares, of US$1.50 million via the acquisition of Constellation on 25 January 2018, partially offset by share of losses of US$0.37 million from SMGL and share of losses of US$0.03 million from The Makers Studio Co, Ltd. ("**The Makers Studio**"); ii) Increase in intangible assets of US$13.35 million is mainly attributable to goodwill and intangible assets arising from the acquisition of Constellation US$10.44 million, and provisional goodwill arising from the acquisition of Greenlight Content of US$2.69 million respectively; and iii) Increase in film production inventories of US$0.44 million mainly related to several movies in the development stage.

CURRENT ASSETS

The Group's current assets amounted to US$16.22 million as at 31 December 2018. The decrease in current assets from US$21.68 million as at 31 December 2017 was mainly due to: i) Decrease in investments of US$0.94 million (investments as at 31 December 2018 is classified as fair value through profit and loss financial asset) and partially offset by the acquisition of Greenlight Content which contributed US$1.75 million to investment in television drama projects; ii) Decrease in trade and other receivables of US$2.91 million mainly due to collection of trade receivables related to the post-theatrical sales for *THE OUTLAWS* of US$2.10 million; iii) Decrease in cash and cash equivalents of US$3.49 million, mainly due to the reasons as explained under the discussion for the "Consolidated Statement of Cash Flow" below.

NON-CURRENT LIABILITIES

The Group's non-current liabilities amounted to US$5.33 million as at 31 December 2018, an increase of US$1.85 million as compared to US$3.48 million as at 31 December 2017, mainly due to long-term advances (long term advances as at 31 December 2018 is classified as contract liability) which has been received by Zip Cinema for presale of upcoming films in post-theatrical market of US$0.60 million, deferred tax liabilities from intangible assets arising from the acquisition of Constellation of US$0.82 million, and long-term borrowing of US$0.48 million held by Upper West as at 31 December 2018 for its business expansion.

CURRENT LIABILITIES

The Group's current liabilities amounted to US$8.09 million as at 31 December 2018. The decrease in current liabilities from US$13.20 million as at 31 December 2017 was mainly due to: i) Decrease in trade and other payables of US$3.31 million mainly due to the partial settlement to costs payable to copyright supplier of *THE OUTLAWS* and *MAN OF WILL* of US$2.11 million and US$0.72 million respectively by Novus; and partial settlement of loan by Frame Pictures of US$0.42 million; ii) Decrease in film obligation and production loans of US$2.14 million mainly due to the repayments to film investors of *GOLDEN SLUMBER* of US$1.90 million; and iii) Partially offset by an increase in borrowings of US$0.47 million mainly due to the acquisition of Greenlight Content and Constellation of US$0.40 million and US$0.04 million respectively.

CASHFLOW

As at 31 December 2018, the Group had cash and cash equivalents amounting to US$2.74 million as compared to cash and cash equivalents amounting to US$6.24 million as at 31 December 2017. The significant cash movements during FY2018 as compared to FY2017 can be summarized as follows: Cash flow generated from operating activities for FY2018 amounted to US$0.82 million as compared to cash used in operating activities of US$2.83 million for FY2017. The cash flow generated from operating activities for FY2018 was mainly due to net working capital outflows of US$2.67 million mainly resulting from a decrease in payables and contract liabilities of US$2.67 million; increase in film production inventories of US$0.36 million; and partially offset by operating profit before working capital changes of US$2.45 million, a decrease in receivables and contract assets of US$1.35 and currency translation adjustments of US$0.15 million. Cash flow used in investing activities for FY2018 was US$1.96 million as compared to cash flow used in investing activities of US$4.50 million for FY2017. The cash flow used in investing activities for FY2018 was mainly due to purchases of property, plant and equipment of US$2.32 million, purchase of short-term investments of US$0.49 million; repayment of short term loans of US$0.91 million, and partially offset by the proceeds from disposal of short-term investments of US$0.48 million, short term loans granted of US$0.70 million and net cash acquired from the acquisition of subsidiaries of US$0.47 million. Cash flow used in financing activities was US$0.75 million for FY2018 as compared to cash flow generated from financing activities of US$7.11 million for FY2017. The cash used in financing activities in FY2018 was mainly due to repayment of film obligations and production loans of US$6.12 million from film investors of *GOLDEN SLUMBER* of US$2.0 million and *DEFAULT* of US$4.12 million, repayment of borrowings of US$1.58 million, offset by proceeds from film obligations and production loans of US$6.48 million which was primarily for the production of *GOLDEN SLUMBER* of US$2.36 million and *DEFAULT* of US$4.12 million and proceeds from borrowings of US$1.20 million mainly for the down payment for leasing of equipment.

KEY MILESTONES

2014

JULY
Listed on the SGX Catalist Board

NOVEMBER
Acquired 60.2% of noon pictures

DECEMBER
Signed deal with KT Hitel for KRW 2 billion in advance payment for ancillary distribution rights to four of the Group's movies

2015

JANUARY
Acquired 51% of Novus Mediacorp

Acquired 51.4% of UAA Korea after the conversion of convertible notes of UAA Korea

APRIL
Incorporated subsidiary, Spackman Media Group Pte. Ltd. ("**SMGPL**")[1]

MAY
SMGPL[1] raised US$7 million of which US$6 million was from other investors

JUNE
SMGPL[1] acquired 88.9% of Delmedia, one of Korea's leading producer of variety shows

JULY
Entered into Business Partnership Agreement with HK-listed National Arts Entertainment and Cultural Group Limited

AUGUST
SMGPL[1] engaged KGI Capital Asia Limited for a Proposed Listing on the Hong Kong Stock Exchange[2]

SMGPL[1] acquired additional 10.1% stake in Delmedia

SEPTEMBER
SMGPL[1] acquired 51.0% of Breakfastfilm

NOVEMBER
Opening of Zip Cinema's production, *THE PRIESTS*, at the Korean box office. *THE PRIESTS* broke the Korean box office record for the fastest film to reach 1 million, 3 million, and 4 million tickets in the month of November. *THE PRIESTS* sold 5.4 million tickets at the Korean box office.[4]

DECEMBER
THE PRIESTS sold to overseas markets namely, U.S., Canada, Japan, Taiwan, the Philippines, China, and Singapore

Proposed Share Swap of SMGPL[1]

2016

APRIL
Proposed disposal of Loss Making subsidiary, Opus Pictures, and UAA Korea

MASTER commenced filming

MAY
Completed Share Swap of Group's 45.8% interest in SMG for 27.4% in SMGL[2]

JUNE
LIFE RISKING ROMANCE screened at Shanghai Film Festival and expected to be released in Korea and China in 4th quarter of 2016

JULY
SMGL[3] entered into a sale and purchase agreement to acquire 100% shareholding interest in a renowned Korean talent management agency ("**SPA**")

SMGL[3] disposed 99.0% stake in Delmedia & 51.0% stake in Breakfastfilm, as part of the SPA

Alibaba Pictures purchased distribution rights for *LIFE RISKING ROMANCE* in China

AUGUST
EGM & Completion of Disposal of Loss Making subsidiary, Opus Pictures, and UAA Korea

DECEMBER
SMGL[3] completed the SPA for purchase consideration of cash, newly issued shares of SMGL and SMGL's entire 51.0% interest in Breakfastfilm

As a result, the Company's shareholding interest in SMGL decreased from 27.2% to 24.5%

LIFE RISKING ROMANCE released in Korea on 14 Dec 2016

MASTER released in Korea on 21 Dec 2016

MASTER presold to more than 30 countries including the United States, Canada, Australia, New Zealand, Italy, Taiwan, Hong Kong, Singapore, Thailand and Philippines

MASTER #1 at Korean Box Office with highest December Opening in history[4]

MASTER surpassed Breakeven Point of 3.7 Million Tickets in 8 days[4]

2017

JANUARY
MASTER released in Hong Kong on 12 Jan and Singapore on 13 Jan 2017

FEBRUARY
GOLDEN SLUMBER, produced by Zip Cinema, commenced filming

MASTER sold over 7.1 million tickets and grossed KRW 58.0 billion in Korea

MARCH
The Group and SMGL[3] co-invested in Skin Inc. Global, a leading Singapore-based skincare brand

Completion of acquisition of 100% of Frame Pictures Co., Ltd ("**Frame Pictures**")

MARCH (CONT'D)

Completion of share swap between Group and certain existing shareholders of SMGL(3)

Completion of placement of up to 38.1 million new ordinary shares of Group

MAY

The Group recorded its highest ever quarterly net profit since IPO, turned around to profitability in 1Q FY2017

AUGUST

Entered into non-binding MOU for acquisition of Take Pictures Pte. Ltd.

Frame Pictures secured camera equipment deal for upcoming Korean film, *DECEPTIVE MURDER* for contract value of KRW 220 million

SEPTEMBER

Zip Cinema's upcoming Korean movie with working title, *SOVEREIGN DEFAULT*, to commence filming at end of 2017 or early 2018 and targeted to open in Korean theatres in the second half of 2018

GOLDEN SLUMBER secured the 2018 Chinese New Year holiday (February 2018) release date

Group to enter into drama production business starting with the proposed co-production of Korean star So Ji Sub's next major drama series

Frame Pictures won camera equipment deal for Netflix's first Korean original production *LOVE ALARM* with contract value of KRW 320 million

Group acquired 10% of NSY Group Pte. Ltd., which owns Nunsongyee, a Korean dessert café chain in Singapore

OCTOBER

THE OUTLAWS, co-presented by the Group's subsidiary, Novus Mediacorp, takes top spot at the Korean box office, overtaking *THE FORTRESS*

Group completed issuance of 54.1 million shares for acquisition of Take Pictures and share swap agreement with certain existing shareholders of SMGL. Group's shareholding in SMGL has increased from 26.17% to 29.12%

Group acquired Korean film production company, Studio Take, through purchase of Take Pictures

Group's new movie, with working title *DAMAGED* & produced by Studio Take, commenced filming

NOVEMBER

Group provided seed funding for The Makers Studio, a startup Korean film production company

Group invested into Korean film, *BE WITH YOU*, starring top-tier actors Son Ye-Jin and So Ji Sub

Group's subsidiary, Novus Mediacorp, posted unexpected record opening ancillary sales of *THE OUTLAWS*

DECEMBER

Zip Cinema's upcoming Korean movie with working title, *SOVEREIGN DEFAULT*, stars top tier Korean actor Yoo Ah-in, who is managed by SMGL, and Korean veteran actress Kim Hye-soo

2018

JANUARY

Leading top-tier Korean actress, Son Ye-jin of SMGL, set to star in K-drama, *PRETTY SISTER WHO BUYS ME FOOD*

Group completed acquisition of Constellation Agency Pte. Ltd., which is primarily involved in the business of overseas agency for Korean artists venturing into the overseas market

Completion of share swap between Group and certain existing shareholders of SMGL(3)

FEBRUARY

THE OUTLAWS, co-presented by the Group's subsidiary, Novus Mediacorp, breaks all-time highest VOD sales records in Korea

Group announced plans to fund artist and content projects via cryptocurrency

Park Hyung-Sik of UAA & Co, managed by SMGL, to star in Korean remake of popular US drama, *SUITS*

BE WITH YOU, starring top-tier actors Son Ye-jin and So Ji Sub of SMGL, set to release on White Day, 14 March 2018

GOLDEN SLUMBER, released in Korea on 14 February 2018 and released in Singapore on 8 March 2018

GOLDEN SLUMBER sold internationally across Asia, Australia, New Zealand and the U.S.

Group swung to profitability for FY2017

MARCH

BE WITH YOU, headlined by Son Ye-jin and So Ji Sub of SMGL, opens #1 at the Korean box office and sold to 17 countries

BE WITH YOU, broke all-time first week box office historical record for romance film

BE WITH YOU crossed 2 million mark at the Korean box office

APRIL

Group's Frame Pictures won camera equipment contracts for two major Korean dramas, *LIVE* and *MY MISTER* with total contract value of KRW 550 million

Group entered into MOU for proposed partnership with SaltyCustoms for the sale of merchandise based on the Group's artist and content projects

Group entered into MOU with Project Talent for development of the Group's own Korean entertainment cryptocurrency

Group's Frame Pictures secured camera equipment deals for three new major Korean drama series, *SUITS*, *MISTRESS* and *LIFE* with total contract value of KRW 580 million

KEY MILESTONES

MAY

Group engaged RHT Capital for listing Novus Mediacorp and Frame Pictures into a separate entity on the Catalist of the SGX-ST

Group recorded 31% increase in revenue and net profit of US$0.6 million for 1Q FY2018

Group's Frame Pictures won camera equipment deals for upcoming major Korean drama series, *THE GUEST* and historical Korean movie, *MALMOI* with total contract value of KRW 448.5 million

JUNE

Group completed its share SPA agreement with certain existing shareholders of Group's associated company, SMGL, and issued 101,607,865 new ordinary shares of the Group

Upon the completion of the share SPA agreement, the Group increased its shareholding in SMGL from 33.76% to 41.28%

Group launched entry into drama production with *TERIUS BEHIND ME*, a TV romantic comedy starring So Ji Sub

Group's Frame Pictures won camera equipment deals for Korean drama series, *LOVELY HORRIBLY*, starring *RUNNING MAN*'s Song Ji-hyo, with contract value of KRW 200 million

Group's associated company, SMGL's Bae Doona stars in Netflix's *KINGDOM*

JULY

Novus Mediacorp, owns Post-theatrical rights of Comedy Film, *ROSE OF BETRAYAL*

AUGUST

Frame Pictures secured four major camera equipment deals for Korean film *GIRL COPS* and three upcoming K-dramas: *THE GREATEST DIVORCE, THE BEAUTY INSIDE, HUNDRED MILLION STARS FROM THE SKY*

SEPTEMBER

Top-tier Korean actress Son Ye-jin of MS Team, wholly-owned by the Group's associated company Spackman Media Group, stars in crime thriller *NEGOTIATION*

Spackman Entertainment Group's New Movie, *STONE SKIPPING*, produced by Studio Take, to be screened at the 23rd Busan International Film Festival in October 2018

Group's first co-produced drama, *TERIUS BEHIND ME*, starring So Ji Sub of SMGL, leads viewership ratings on premiere day in Korea

OCTOBER

Group acquired Greenlight Content Limited, which is in the business of investing into dramas and films, and providing consulting services for the production of Korean content

NOVEMBER

Group's first co-produced drama, *TERIUS BEHIND ME*, starring So Ji Sub of SMGL, continues viewership ratings streak as #1 drama in Korea

Group's film, *DEFAULT*, Starring Yoo Ah-in of Spackman Media Group, Presold to 17 Countries

Group's film, *DEFAULT*, ranked #1 in ticket reservations prior to opening day on 28 November 2018

Group's film, *DEFAULT*, opened #1 and captured 40% of the Korean box office

DECEMBER

Frame Pictures won three major camera equipment deals for upcoming drama series, *FOUR MEN, ASADAL CHRONICLES* and *THE CROWNED CLOWN*

Group's film, *DEFAULT*, surpassed 1.5 Million Tickets within four days and secures over 40% of the market share, recording the highest November opening in the Korean box office history

Group's film, *DEFAULT*, grossed US$15 Million in box office revenue, crossing the 2 Million audience mark nine days since release

Group's film, *DEFAULT*, grossed US$20 Million in box office revenue, surpassing break-even point of 2.6 Million Tickets within 12 Days

Korean superstar, Yoo Ah-in of Spackman Media Group, named one of "The Best Actors of 2018" by The New York Times

Group's film, *DEFAULT*, grossed US$22.3 Million in box office revenue, crossing the 3 Million ticket sales mark

2019

JANUARY

Group's Upcoming Film, *CRAZY ROMANCE*, to be produced by Zip Cinema, commences filming and set to premiere in Korea in 2019

Notes:

(1) The Company had on 13 May 2016 completed the share swap of the Company's 45.88% interest in SMGPL in consideration for 27.2% interest in Spackman Media Group Limited ("**SMGL**")

(2) Proposed listing is not definitive at this juncture and there is no assurance that the proposed listing will be materialize

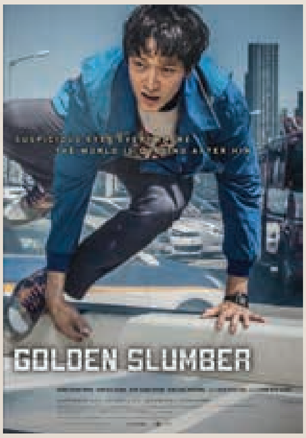
(3) As of 3 March 2017, the Company owns an effective shareholding interest of 33.8% in SMGL

(4) Source: Korean Film Council (KOFIC): www.koreanfilm.or.kr

PORTFOLIO ZIP CINEMA

Past Movie Productions By Zip Cinema And Their Respective Dates of Release

DEFAULT
28 NOVEMBER 2018



GOLDEN SLUMBER
14 FEBRUARY 2018

MASTER
21 DECEMBER 2016

THE PRIESTS
5 NOVEMBER 2015

MY BRILLIANT LIFE
3 SEPTEMBER 2014

COLD EYES
3 JULY 2013

ALL ABOUT MY WIFE
17 MAY 2012

HAUNTERS
10 NOVEMBER 2010

WOOCHI
23 DECEMBER 2009

CLOSER TO HEAVEN
24 SEPTEMBER 2009

ABOUT ZIP CINEMA

Zip Cinema Co., Ltd. ("**Zip Cinema**"), a wholly-owned subsidiary of the Group, is a Korean movie production firm founded by veteran film producer Eugene Lee, who was named in 2007 as one of the world's "10 Producers to Watch" by Variety, the leading Hollywood trade journal. The company was incorporated on 23 December 2005 in the Republic of Korea. Zip Cinema engages in the development and production of theatrical motion pictures with a strong commitment in bringing original content to moviegoers from the most innovative Korean filmmakers.

Since its establishment, Zip Cinema has achieved notable critical and box office success, producing and releasing a total of 13 theatrical films to date, including *DEFAULT* (2018), which recorded 3.7 million tickets and grossed KRW 31.0 billion in Korea, *MASTER* (2016), which sold over 7.0 million tickets and grossed KRW 58.0 billion in Korea, *THE PRIESTS* (2015), which recorded 5.4 million tickets and grossed KRW 42.4 billion in Korea, *WOOCHI* (2009), which sold 6.1 million tickets at the Korean box office and grossed over KRW 44 billion, and *HAUNTERS* (2010) which sold 2.1 million tickets in Korea and grossed KRW 15.4 billion in Korea.

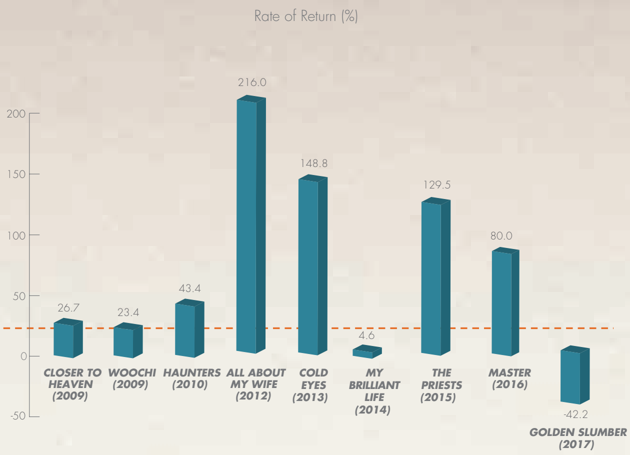
On 17 May 2012, *ALL ABOUT MY WIFE*, a romantic comedy produced by Zip Cinema, opened number one (#1) at the Korean box office. With a total budget of approximately KRW 4.8 billion (including P&A). *ALL ABOUT MY WIFE*, directed by Min Gyoo-dong and featuring top Korean stars, Im Soo-jeong, Lee Seon-gyoon, and Ryoo Seung-yong, sold over 4.6 million tickets and grossed KRW 34.2 billion domestically, becoming one of Korea's highest-grossing romantic comedies of all time. On 3 July 2013, *COLD EYES*, a crime thriller produced by Zip Cinema, opened #1 at the Korean box office. With a total budget of approximately KRW 6.7 billion (including P&A), *COLD EYES*, directed by Jo Eui-seok and Kim Byeong-seo, and featuring top Korean stars, Seol Kyeong-gu, Jung Woo-sung, Han Hyo-joo, and Junho, of the K-pop group 2PM, sold over 5.5 million tickets and grossed almost KRW 40 billion at the Korean box office, placing the film as one of the top 10 box office hits of 2013. *COLD EYES* was also selected as the Gala Presentation for the 2013 Toronto International Film Festival.

On 3 September 2014, Zip Cinema's *MY BRILLIANT LIFE*, starring Song Hye-kyo and Gang Dong-won, opened in Korean theaters. The film has been theatrically released throughout Asia. On 5 November 2015, Zip Cinema's *THE PRIESTS*, starring Kim Yun-seok and Gang Dong-won, opened #1 at the Korean box office and has since set the achieved a record-breaking performance for being the fastest movie to reach one, three, and four million tickets at the Korean box office in the month of November. On 21 December 2016, Zip Cinema's *MASTER*, starring Lee Byung-hun, Kim Woo-bin and Gang Dong-won, opened #1 at the Korean box office with the highest December opening in history. *MASTER* recorded total gross box office receipts of KRW 58.0 billion (or US$51.0 million) and ticket admissions of 7.1 million in Korea. On 14 February 2018, Zip Cinema's *GOLDEN SLUMBER*, headlined by top Korean stars Gang Dong-won and Han Hyo-joo, was released in Korea. The film was sold internationally across Asia, Australia, New Zealand and the U.S.

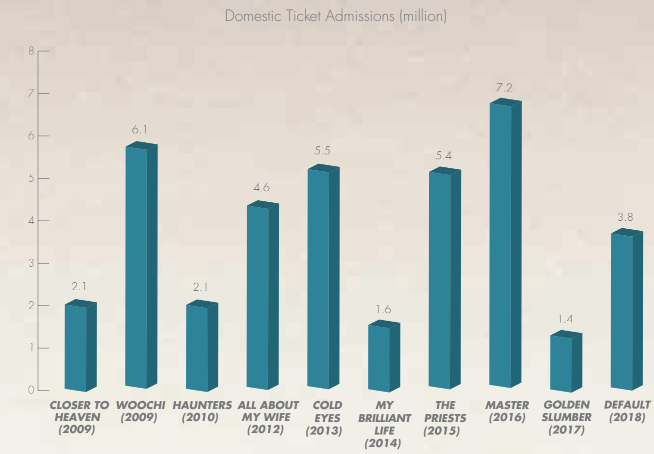
Zip Cinema's upcoming romantic drama film, *CRAZY ROMANCE*, starring Kim Rae-won and Gong Hyo-jin, commenced filming in January 2019 and set to premiere in Korea in 2019.

For more information on Zip Cinema, do visit http://www.zipcine.com

AVERAGE RATE OF RETURN OF ZIP CINEMA: 70%



TOTAL DOMESTIC TICKET ADMISSIONS: 40 MILLION



ABOUT NOVUS MEDIACORP

Novus Mediacorp Co., Ltd ("**Novus Mediacorp**"), a 51%-owned subsidiary of *SEGL*, is a renowned investor, presenter, and/or post-theatrical distributor for a total of 79 films (58 Korean and 21 foreign) including ROSE OF *BETRAYAL*, *THE OUTLAWS* and *SECRETLY*, *GREATLY*, which was one of the biggest box office hits of 2013 starring Kim Soo-hyun of *MY LOVE FROM THE STARS* fame, as well as *FRIEND 2: THE GREAT LEGACY*. In 2012, Novus Mediacorp was also the post-theatrical rights distributor of *ALL ABOUT MY WIFE*, a top-grossing romantic comedy produced by Zip Cinema. In 2018, THE *OUTLAWS*, co-presented by Novus Mediacorp broke the all-time highest VOD sales records in Korea.

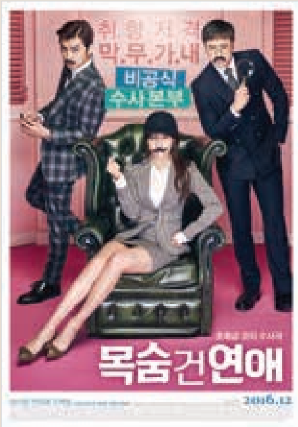
Novus Mediacorp and Frame Pictures are currently in the process of seeking a spin-off listing on the Singapore Stock Exchange.

The office of Novus Mediacorp is located at 3F, 38-17, Jamwon-dong, Seocho-gu, Seoul, Korea. For more information, visit www.novusmediacorp.com

PORTFOLIO NOVUS MEDIACORP

Major Movies Presented and/or Distributed (Ancillary Market) by Novus Mediacorp

THE OUTLAWS
2017



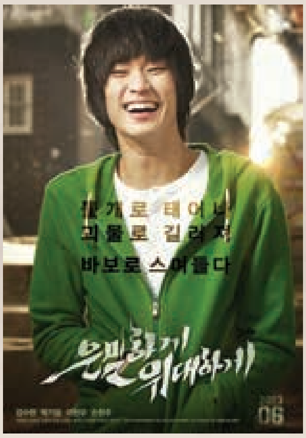
LIFE RISKING ROMANCE
2016

INNOCENT THING
2014

FRIEND: THE GREAT LEGACY
2013

HOPE
2013

VERY ORDINARY COUPLE
2013



SECRETLY GREATLY
2013

ALL ABOUT MY WIFE
2012

THE SCENT
2012

WAR OF THE ARROWS
2011

ALWAYS
2011

BLADES OF BLOOD
2010

ABOUT FRAME PICTURES

The Group owns a 100% equity interest in Frame Pictures Co., Ltd. ("**Frame Pictures**"). Frame Pictures is a leader in the movie/drama equipment leasing business in Korea. Established in 2014, Frame Pictures has worked with over 25 top directors and provided the camera and lighting equipment for some of Korea's most notable drama and movie projects including the upcoming Korean film *GIRL COPS* (2018) featuring rising star Wi Ha-jun of SMGL and *THE GREATEST DIVORCE* (2018) starring Bae Doona of SMGL. In 2018, Frame Pictures has also won contracts to supply equipment to *FOUR MEN* (2019), *ASADAL CHRONICLES* (2019), *THE CROWNED CLOWN* (2019), *THE BEAUTY INSIDE* (2018), *HUNDRED MILLION STARS FROM THE SKY* (2018), *LOVELY HORRIBLY* (2018), *THE GUEST* (2018), historical Korean movie *MALMOI*, *SUITS* (2018) featuring Park Hyung-sik of SMGL, *MISTRESS* (2018), *LIFE* (2018), *LIVE* (2018) starring Lee Kwang-soo of *RUNNING MAN*, *MY MISTER* (2018) and Netflix's first Korean original production *LOVE ALARM* (2018). Frame Pictures and Novus Mediacorp are currently seeking a spin-off listing on the Singapore Stock Exchange.

STRATEGY AND FUTURE PLANS

To be a Leading Entertainment Group in Participating and Investing into the Highest Top Quality Projects

FILM PRODUCTION

- To develop and produce only the best films in terms of quality and commercial viability
- To invest directly into films produced by our production companies
- To seek opportunities for producing films targeted for worldwide distribution

DRAMA PRODUCTION

- Launched entry into drama production business starting with the co-production of *TERIUS BEHIND ME*, starring So Ji Sub

TALENT MANAGEMENT

- Leverage on Spackman Media Group's unparalleled portfolio of artists to participate into the highest quality content projects and build portfolio of collaborative businesses
- Group's investment into *BE WITH YOU* and *THE LAST PRINCESS* underscores its objective to collaborate with SMGL to reap potential benefits from various sources including investment, artist fees and co-presenting fees

POST-THEATRICAL & CAMERA LEASING IPO

- To exploit rapidly growing post-theatrical and camera equipment leasing markets
- To leverage on strong demand for Korean media content by expanding to overseas post-theatrical/TV drama markets

STRATEGY AND FUTURE PLANS

ACQUISITION

- To make acquisitions of entertainment companies that can financially and strategically complement our existing core operations
- Acquisition of Frame Pictures to help the Group develop a more consistent and stable revenue stream
- Acquisition of Take Pictures to enable the Group to strategically add accretive value to its existing movie production business
- Acquisition of Constellation Agency to allow the Group to leverage on the unique marketing expertise and talent management platform to deliver top quality integrated content production to its targeted audience
- Acquisition of Greenlight Content to strengthen foothold in the TV drama sector

COLLABORATIVE BUSINESS

- To explore investment opportunities in businesses across a range of industries that offer compelling growth opportunities, in partnership with SMGL
- To invest in brands that can leverage on association with Korean celebrities such as the investment into Skin Inc. Global and Nunsongyee

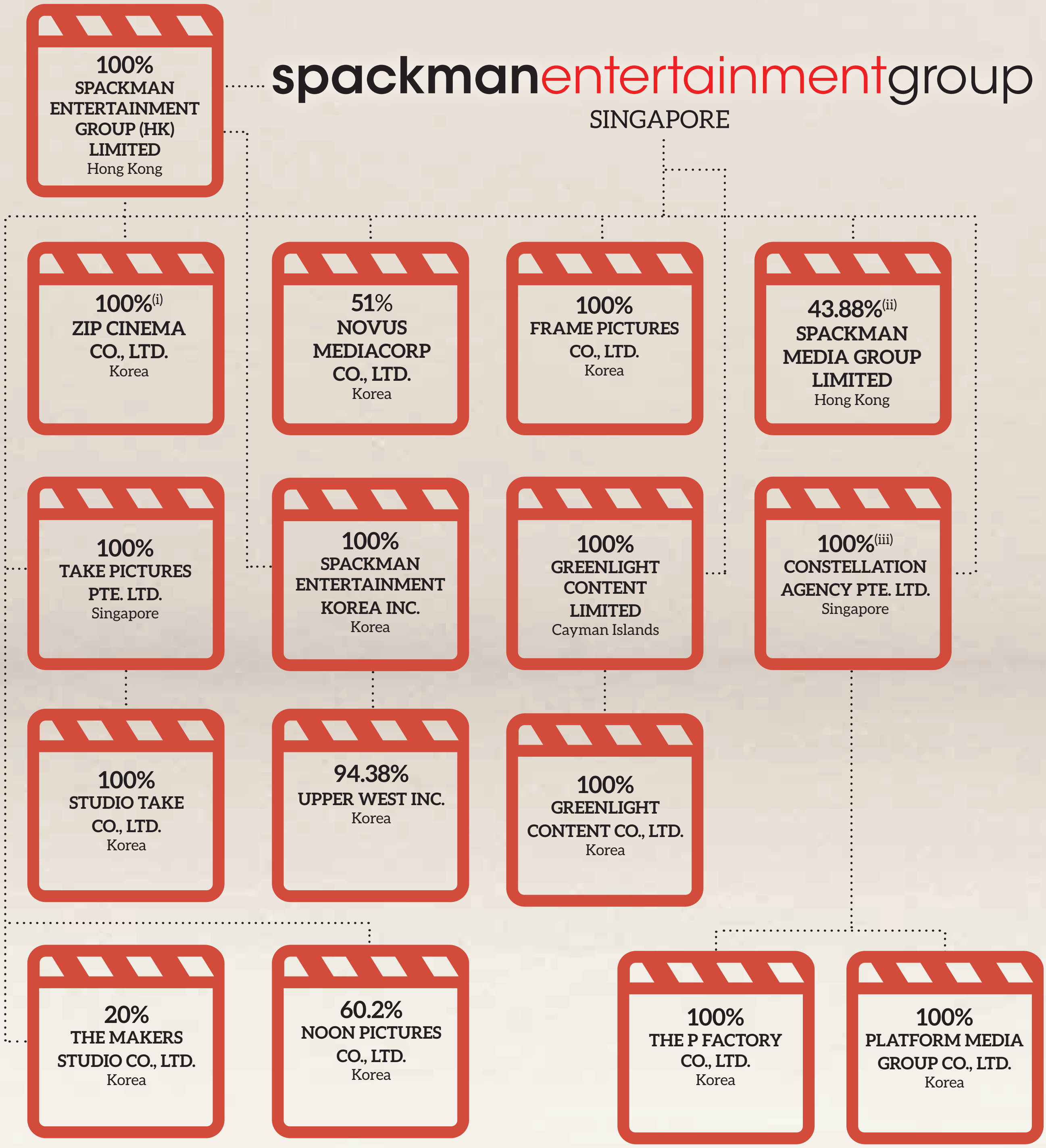
SECTOR OUTLOOK KOREAN MOTION PICTURE INDUSTRY

THE KOREAN MOTION PICTURE INDUSTRY
OVERVIEW

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total Ticket Admissions Nationwide (million)	69.3	123.4	144.3	152.0	147.4	155.4	147.8	159.7	194.9	213.3	215.1	217.3	217.0	219.9	216.4
YOY Growth Rate (%)		78.1	16.9	5.3	-3	5.4	-4.9	8.1	22	9.4	0.8	1	-0.1	1.3	-1.6
Admissions for Domestic Films (million)	37.7	71.3	91.7	75.8	62	75.6	68.8	82.9	114.6	127.3	107.7	112.9	116.6	113.9	110.1
Admissions for Foreign Films (million)	31.5	52	52.5	76.2	85.4	79.8	78.9	76.9	80.3	86.1	107.4	104.4	100.5	106	106
Market Share of Domestic Film (%)	54.5	57.8	63.6	49.9	42.1	48.7	46.6	51.9	58.8	59.7	50.1	52.0	53.7	51.8	50.9
Market Share of Foreign Film (%)	45.5	42.2	36.4	50.1	57.9	51.3	53.4	48.1	41.2	40.3	49.9	48.0	46.3	48.2	49.1
Admissions per Capita	2.78	2.98	3.13	3.22	3.04	3.15	2.92	3.15	3.83	4.17	4.19	4.22	4.30	4.31	4.24
Domestic Films	1.52	1.72	1.99	1.61	1.28	1.53	1.36	1.63	2.25	2.49	2.10	2.19	2.31	2.23	2.16
Foreign Films	1.26	1.26	1.14	1.61	1.76	1.62	1.56	1.52	1.58	1.68	2.09	2.03	1.99	2.08	2.08
Gross Box Office Revenue (KRW billion)	440.7	780.3	892.4	965.5	961.5	1,083.2	1,157.3	1,235.8	1,455.1	1,551.4	1,664.2	1,715.5	1,743.2	1,756.6	1,814.00
YOY Growth Rate (%)		77.1	14.4	8.2	-0.4	12.7	6.8	6.8	17.7	6.6	7.3	3.1	1.6	0.80	3.27
Korean Box Office Revenue (KRW billion)	239.1	451.7	568.1	479.9	407.3	526.5	508.4	613.7	836.1	909.9	820.6	879.7	928.0	902.7	912.7
YOY Growth Rate (%)		88.9	25.8	-15.5	-15.1	29.3	-3.4	20.7	36.2	8.8	-9.8	7.2	5.5	-2.7	1.1
Foreign Box Office Revenue (KRW billion)	201.6	328.7	324.4	485.6	554.1	556.7	648.8	622.1	619	641.4	843.6	835.8	815.2	853.9	901.2
YOY Growth Rate (%)		63.0	-1.3	49.7	14.1	0.5	16.5	-4.1	-0.5	3.6	31.5	-0.9	-2.5	4.8	5.5
Average Ticket Price (KRW)	6363.89'	6,326.32	6,186.52	6,350.93	6,521.48	6,970.43	7,832.03	7,737.07	7,466.45	7,271.36	7,738.13	7,894.64	8,032.20	7,988.97	8,383.03
Number of Screens (nationwide)	1,451	1,648	1,880	1,975	2,004	2,055	2,003	1,974	2,081	2,184	2,281	2,571	2,642	2,859	3,017
Number of Theatres nationwide)	302	301	321	314	309	305	301	292	314	333	356	433	451	495	528
Number of Seats nationwide)	297,584	322,110	354,691	365,034	362,657	360,796	349,640	341,905	358,659	349,669	372,361	413,704	431,822	454,767	466,002

Source: Korean Film Council; Ministry of Culture, Sports and Tourism, Republic of Korea as of February 2018

GROUP STRUCTURE



Notes:

(i) Spackman Entertainment Group (HK) Limited ("**SEGHK**") owns 92.996% of Zip Cinema Co., Ltd. directly, and the remaining 7.004% through its wholly-owned subsidiary Spackman Equities Limited ("**SEL**").

(ii) The Company currently holds an effective shareholding interest of 43.88% in SMGL after completion of share swap in August 2018.

(iii) Constellation Agency owns 500,000 shares which is 1.57% of SMGL.

BOARD OF DIRECTORS

ANTHONY WONG

Non-executive & Independent Chairman

Mr Anthony Wong is an Independent Director and Non-executive Chairman of the Board of Spackman Entertainment Group Limited. He is also the Chairman of the Audit Committee and serves on the Remuneration Committee and Nominating Committee. From 10 December 2014 to 31 March 2017, he was the Chief Financial Officer of China Public Procurement Limited, a public company in Hong Kong. From January 2009, he worked for e-Kong Group Limited, a public company in Hong Kong and served as its Chief Financial Officer from January 2011 until January 2014. From June 2006 until December 2008, Mr Wong served as the Chief Executive Officer and Director of New Legend Group Limited, a start-up Canadian capital pool company listed on the Toronto Venture Exchange. He was previously the finance director of Hutchison Telecommunications Group, the telecommunication subsidiary of Hutchison Whampoa, where he led the mergers and acquisitions team to start up international joint ventures and investment projects. Mr Wong has also worked at Deloitte Touche Chartered Accountants in Vancouver, and worked as Senior Audit Manager with PricewaterhouseCoopers in Hong Kong.

Currently, Mr Wong is a member of the Chartered Professional Accountants Association and the Institute of Chartered Accountants of British Columbia, Canada. He graduated with a B.A. from Simon Fraser University, British Columbia, Canada, majoring in business and economics.

KAY NA

Chief Operating Officer, President and Executive Director

Mr Kay Na is the Chief Operating Officer, President and Executive Director of Spackman Entertainment Group Limited. He previously served as the Chief Financial Officer of Spackman Entertainment Group Limited from September 2013 to February 2019. He also serves on the Nominating Committee. He is responsible for overseeing the key financial, operating and business matters of the Group. Prior to joining the Group, Mr Na worked with KPMG Korea and KPMG Singapore, providing audit, tax and advisory services to many private and public companies over a period of nine years. He is a member of the Institute of Singapore Chartered Accountants and a member of the Korean Institution of Certified Public Accountants. Mr Na graduated with a Master of Science in Business Administration (majoring in Accounting) and a Bachelor of Science in Engineering from Seoul National University.

YOO JIN LEE

Executive Director and Chief Producer

Ms Eugene Lee is the Executive Director and Chief Producer of Spackman Entertainment Group Limited. She is the founder, Chief Executive Officer and head producer of Zip Cinema. Since founding of Zip Cinema in 2006, Ms Lee has produced and released twelve films: *VOICE OF A MURDERER (2007), HAPPINESS (2007), ANTIQUE (2008), WOOCHI (2009), CLOSER TO HEAVEN (2009), HAUNTERS (2010), ALL ABOUT MY WIFE (2012), COLD EYES (2013), MY BRILLIANT LIFE (2014), THE PRIESTS (2015), MASTER (2016) and GOLDEN SLUMBER (2017).*

Ms Lee commenced her film career in 2000 as the marketing director of B.O.M. Film Production Co., Ltd., a Korean film production company, where she produced several major films including *THE UNINVITED* (2003), *UNTOLD SCANDAL* (2003), and *A BITTERSWEET LIFE* (2005). She also worked as an advertising executive at KORAD, a Seoul based advertising agency. Ms Lee was named as one of the "10 Producers to Watch" in the world in 2007 by Variety magazine.

Ms Lee graduated with a B.A. from Ewha Womans University in Korea.

BOARD OF DIRECTORS

RICHARD LEE
Non-executive Director

Mr Lee is the Non-executive Director of Spackman Entertainment Group Limited. He was previously the interim Chief Executive Officer from January 2018 to February 2019. Mr Lee provides direction, guidance and advice to the Group for new business ventures and M&As. He is also Chairman and Chief Executive Officer of Spackman Equities Group Inc., Executive Director of Spackman Media Group Limited. He also serves on the boards of a number of the Group's portfolio companies. He was the Head of Business Development of the Group from October 2013 to September 2016. He previously worked at HSBC Private Equity, BNP Paribas Securities and CLSA Securities. Mr Lee graduated with an A.B. in East Asian Studies from Harvard College.

JESSIE HO
Lead Independent Director

Mrs Jessie Ho is the Lead Independent Director of Spackman Entertainment Group Limited. She is also the Chairman of the Nominating Committee and serves on the Audit Committee and the Remuneration Committee. Mrs Ho is currently an executive director of JHT Law Corporation, a law firm based in Singapore. She first started her career at Rodyk & Davidson where she was a litigation lawyer and subsequently joined Dave Shaun Patel & Jim in 1998. She then joined the firm of Jimmy Harry & Partners in 2001, which was dissolved in 2003 upon the formation of JHT Law Corporation.

Mrs Ho read law at the University of Cambridge where she obtained a BA Hons and her LL.M. She was admitted to the Singapore Bar in 1991 and has been in active practice ever since, primarily advising on conveyancing and litigation matters. Mrs Ho is a member of the Law Society of Singapore and was an active Council Member of the National Family Council of Singapore from August 2010 up until July 2013. She is also currently on the board of directors of Halogen Foundation, a non-profit organisation.

NG HONG WHEE
Independent Director

Mr Ng Hong Whee is an Independent Director and the Chairman of the Remuneration Committee of Spackman Entertainment Group Limited. He also serves on the Audit Committee. From July 2011 to July 2015, Mr Ng was the Chief Executive Officer and Executive Chairman of Sincap Group Limited, a company listed on Catalist. Following his cessation as Chief Executive Officer and Executive Chairman, he was the president of China operations of the Sincap Group Limited until November 2015. From May 2014 to October 2015, he served as a Non-executive and Non-independent Director of Imperium Crown Limited (formerly known as Communication Design International Limited), a company listed on Catalist.

From 2004 to July 2011, Mr Ng was the business development and financial director of Southern Angels Pte. Ltd., a manufacturer of fish paste in Indonesia. In October 1999, he joined Tan Kian Tin & Co. (a Certified Public Accounting firm) as an audit supervisor and was gradually promoted to an audit manager in 2001, a position he held until February 2012 and continued as a consultant until April 2012. In May 1992, he joined Ng Lee & Associates (a Certified Public Accounting firm) as an audit trainee and was gradually promoted to an audit senior, a position he held until October 1999. In 1991, Mr Ng was an accounts clerk with Japan Travel Bureau Pte. Ltd.

KEY MANAGEMENT

JOHN KO
Chief Executive Officer

Mr Ko is the Chief Executive Officer of Spackman Entertainment Group Limited. He is overall in-charge of overseeing and monitoring the Group's business and chartering the growth direction of the Group. Mr Ko is actively involved in the business development and business collaboration in the aspect of Korean entertainment. As a 20-year veteran in the media and technology sector, his area of expertise also includes advisory in drama production and investments in media & entertainment related projects. Mr Ko is presently the Chief Executive Officer and Director of the Group's subsidiary, Greenlight Content Co.. Ltd. During 2007 to 2017, he was the Director of several companies such as Signal Entertainment Group, Splendid Wave Sdn Bhd and CENIT Co., Ltd. that span across entertainment, hotel and cinema sectors. From 2004 to 2007, he worked as a Management Consultant for Sidus Pictures in Korea. Mr Ko graduated with Bachelor of Science from Hanyang University in Korea.

JASMINE LEONG
General Manager & Head of Investor Relations

Ms Leong is the General Manager and Head of Investor Relations of Spackman Entertainment Group Limited and is primarily responsible for overseeing the Company's corporate actions, investor relations and operational matters. Ms Leong has several years of experience in handling investor relations and corporate communications of listed companies on the SGX-ST. Previously, she was the Investor Relations Manager at Accordia Golf Trust Management Pte. Ltd. and worked at Financial PR Pte Ltd. She started her career with Europtronic Group where she was based in China. She is a holder of the International Certificate of Investor Relations (ICIR). Ms Leong graduated with a Masters in Communication Management and a Bachelor in Business Management from the Singapore Management University.

NG SIEW LING
Group Financial Controller

Ms Ng is the Group Financial Controller and is primarily responsible for managing and overseeing the financial related activities including accounting, financing and taxation matters of the Group since February 2019. Previously, she serves as a senior finance manager in Spackman Media Group Pte. Ltd, an affiliate of the Company. Prior to joining Spackman Group, Ms Ng worked as a manager at Ernst & Young on the Transaction Advisory Services team and also spent three years at PricewaterhouseCoopers covering Audit & Assurance. Ms Ng graduated from Sheffield Hallam University, United Kingdom with a Bachelor of Arts with Honours in Accounting and Finance.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Anthony Wong (Non-executive & Independent Chairman)
Eugene Lee (Executive Director and Chief Producer)
Kay Na (Chief Operating Officer, President and Executive Director)
Richard Lee (Non-executive Director)
Jessie Ho (Lead Independent Director)
Ng Hong Whee (Independent Director)

AUDIT AND RISK MANAGEMENT COMMITTEE
Anthony Wong (Chairman)
Jessie Ho
Ng Hong Whee

NOMINATING COMMITTEE
Jessie Ho (Chairman)
Anthony Wong
Kay Na

REMUNERATION COMMITTEE
Ng Hong Whee (Chairman)
Jessie Ho
Anthony Wong

JOINT COMPANY SECRETARIES
Kay Na (CA (Singapore))
Noraini Binte Noor Mohamed Abdul Latiff (ACIS, MBA)

REGISTERED OFFICE
16 Collyer Quay
#17-00
Singapore 049318
Tel: +65 6311 0042

PRINCIPAL PLACE OF BUSINESS

Singapore
390 Orchard Road
#04-01 Palais Renaissance
Singapore 238871

South Korea
Proom Building
82 Nonhyun-Dong
Gangnam-Gu
Seoul 135-818
Korea

SHARE REGISTRAR
Tricor Barbinder Share Registration Services
(a division of Tricor Singapore Pte. Ltd.)
80 Robinson Road
#02-00
Singapore 068898

AUDITORS
Baker Tilly TFW LLP
Chartered Accountants of Singapore
600 North Bridge Road
#05-01 Parkview Square
Singapore 188778

Partner-in-Charge: Guo Shuqi
(Appointed with effect from financial year ended
31 December 2016)

PRINCIPAL BANKERS
Industrial Bank of Korea (Sinsa-Dong Branch)
Shinhan Bank (Jamsil-Nam Branch)
Woori Bank (Young Dong Branch)

CATALIST SPONSOR
RHT Capital Pte. Ltd.
9 Raffles Place #29-01
Republic Plaza Tower 1
Singapore 048619

MEDIA AND INVESTOR RELATIONS
Spackman Entertainment Group Limited
Jasmine Leong
Tel: +65 6694 4175

CORPORATE GOVERNANCE REPORT

DISCLOSURE TABLE FOR ANNUAL REPORT IN COMPLIANCE TO THE CODE OF CORPORATE GOVERNANCE 2012 AND CATALIST RULES

The Board of Directors (the "**Board**") of Spackman Entertainment Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") are committed to maintaining high standards of corporate governance and places importance on its corporate governance processes and systems so as to ensure greater transparency, accountability and maximisation of long-term shareholder value.

Unless otherwise stated, this report outlines the Group's corporate governance practices that were in place during the financial year ended 31 December 2018 ("**FY2018**"), with specific reference made to the principles of the Code of Corporate Governance 2012 (the "**Code**") and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in January 2015 (the "**Guide**").

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	The Company has complied with the principles and guidelines as set out in the Code and the Guide, where applicable. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and/or the Guide.
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines of the Code?	Not applicable. The Company did not adopt any alternative corporate governance practices in FY2018.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td colspan="3">BOARD MATTERS</td></tr>
<tr><td colspan="3"><u>The Board's Conduct of Affair</u></td></tr>
<tr><td>1.1</td><td>What is the role of the Board?</td><td>The Board currently has 6 members and comprises the following:
<table>
<tr><td colspan="2">Composition of the Board</td><td colspan="3">Composition of the Board Committees
• C – Chairman
• M – Member</td></tr>
<tr><td>Name of Director</td><td>Designation</td><td>ARMC[(1)]</td><td>NC[(2)]</td><td>RC[(3)]</td></tr>
<tr><td>Anthony Wei Kit Wong ("Anthony Wong")</td><td>Non-executive Chairman and Independent Director</td><td>C</td><td>M</td><td>M</td></tr>
<tr><td>Richard Lee[(4)]</td><td>Executive Director and interim Chief Executive Officer ("CEO")</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td>Yoo Jin Lee ("Eugene Lee")</td><td>Executive Director and Chief Producer</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td>Na Kyoungwon[(5)]</td><td>Executive Director and Chief Financial Officer ("CFO")</td><td>–</td><td>M</td><td>–</td></tr>
<tr><td>Thong Yuen Siew Jessie ("Jessie Ho")</td><td>Lead Independent Director</td><td>M</td><td>C</td><td>M</td></tr>
<tr><td>Ng Hong Whee</td><td>Independent Director</td><td>M</td><td>–</td><td>C</td></tr>
</table>
Notes:
(1) The ARMC comprises 3 members, all of whom, including the Chairman, are independent and non-executive Directors.
(2) The NC comprises 3 members, the majority of whom, including the Chairman, are independent. The Lead Independent Director is the Chairman of the NC.
(3) The RC comprises 3 members, all of whom, including the Chairman, are independent and non-executive Directors.
(4) Mr Richard Lee resigned as Interim Chief Executive Officer with effect from 20 January 2019 and re-designated from Executive Director to Non-executive Non Independent Director of the Company with effect from 20 February 2019.
(5) Mr Na Kyoungwon was re-designated from Chief Financial Officer to Chief Operating Officer and President with effect from 20 February 2019. He will continue to assume the role of Executive Director of the Company.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		The Board is entrusted to lead and oversee the Company, with the fundamental principle to act in the best interest of the Company. In addition to its statutory duties, the Board's principle functions are to: • Set out overall long term strategic plans and objectives for the Group and ensure that the necessary financial and human resources are in place for the Company to meet its objectives; • Establish a framework of prudent and effective internal controls and risk management strategies which enables risk to be assessed and managed, including safeguarding of shareholders' interests and the Group's assets; • Review management performance; • Ensure good corporate governance practices to protect the interests of shareholders; and • Appoint Directors of the Company and key management personnel of the Group. • Consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation
1.3	Has the Board delegated certain responsibilities to committees? If yes, please provide details.	The Board has delegated certain responsibilities to the Audit and Risk Management Committee (the "**ARMC**"), the Remuneration Committee (the "**RC**") and the Nominating Committee (the "**NC**") (collectively, the "**Board Committees**"). The composition of the Board Committees has been set out in Section 1.1 of this report.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>1.4</td><td>Have the Board and Board Committees met in the last financial year?</td><td>The Board meets on a quarterly basis, and as and when circumstances require. The number of Board and Board Committees meetings held and the attendance of each Board member for FY2018 are shown below:
<table>
<tr><td colspan="5">Table 1.4 – Board and Board Committee Meetings in FY2018</td></tr>
<tr><td></td><td>Board</td><td>ARMC</td><td>NC</td><td>RC</td></tr>
<tr><td>Number of Meetings Held</td><td>4</td><td>4</td><td>1</td><td>1</td></tr>
<tr><td>Name of Director</td><td colspan="4">Number of Meetings Attended</td></tr>
<tr><td>Anthony Wong</td><td>4/4</td><td>4/4</td><td>1/1</td><td>1/1</td></tr>
<tr><td>Richard Lee</td><td>4/4</td><td>NA</td><td>NA</td><td>NA</td></tr>
<tr><td>Na Kyoungwon</td><td>4/4</td><td>NA</td><td>1/1</td><td>NA</td></tr>
<tr><td>Yoo Jin Lee</td><td>3/4</td><td>NA</td><td>NA</td><td>NA</td></tr>
<tr><td>Jung Suk Young(1)</td><td>4/4</td><td>NA</td><td>NA</td><td>NA</td></tr>
<tr><td>Jessie Ho</td><td>4/4</td><td>4/4</td><td>1/1</td><td>1/1</td></tr>
<tr><td>Ng Hong Whee</td><td>4/4</td><td>4/4</td><td>NA</td><td>1/1</td></tr>
</table>
NA – Not applicable, as the Directors are non-members of the Board Committees.

Note:
(1) Mr Jung Suk Young resigned as Executive Director of the company with effect from 20 February 2019.

The Company's Constitution allows for meetings to be held through telephone and/or video-conference.</td></tr>
<tr><td>1.5</td><td>What are the types of material transactions which require approval from the Board?</td><td>Matters that require the Board's approval include, amongst others, the following:
• corporate strategy and business plans of the Group;
• material acquisitions, divestments and capital expenditure of the Group;
• share issuance, dividend release or changes in capital of the Company;
• budgets, financial results announcements, annual report and audited financial statements of the Group;
• material financing and restructuring plans of the Group; and
• material interested person transactions of the Group.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
1.6	(a) Are new Directors given formal training? If not, please explain why.	All newly appointed Directors of the Company will undergo an orientation programme where the Director would be briefed on the Group's strategic direction, governance practices, business and organisation structure as well as the expected duties of a director of a listed company. To get a better understanding of the Group's business, the Director will also be given the opportunity to visit the Group's operational facilities and meet with key management personnel of the Group.
	(b) What are the types of information and training provided to (i) new Directors and (ii) existing Directors to keep them up-to-date?	The Board values on-going professional development and recognises that it is important that all Directors receive regular training so as to be able to serve effectively on and contribute to the Board. To ensure Directors can fulfil their obligations and to continually improve the performance of the Board, all Directors are encouraged to undergo continual professional development during the term of their appointment. Professional development may relate to a particular subject area, committee membership, or key developments in the Company's environment, market or operations which may be provided by accredited training providers such as the Singapore Institute of Directors. Directors are encouraged to consult the Chairman and CEO if they consider that they personally, or the Board as a whole, would benefit from specific education or training regarding matters that fall within the responsibility of the Board or relate to the Company's business. Such trainings costs are borne by the Company. Briefings, updates and trainings for the Directors in FY2018 include: • Briefing by the external auditors ("**EA**") to the ARMC on changes/amendments to accounting standards; • Briefing by DMS Corporate Services Pte. Ltd., the corporate secretarial agent to the Board on the changes to Listing Manual (Section B: Rules of Catalist) of SGX-ST and Code of Governance 2018; and • Attendance of several seminars conducted by the Singapore Institute of Directors, SSTA Singapore, Association of Women Accountants (Hong Kong) Limited and The Hong Kong Polytechnic University – School of Professional and Executive Development. The seminars included Annual Corporate Governance Update, Sustainability for Directors, Presentation of Corporate Management and Control on Artificial Intelligence Undertakings in Singapore, Latest Cybersecurity Updates, Opening Bank Accounts and other SME Banking Solutions and Exploring the Growing Relevance of Sustainability Accounting.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Board Composition and Guidance		
2.1 2.2 3.3	Does the Company comply with the guideline on the proportion of Independent Directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	There is a strong and independent element on the Board, with independent directors making up at least one-third of the Board.
2.3 4.3	Has the independence of the Independent Directors been reviewed in the last financial year?	The Board takes into account the existence of relationships or circumstances, including those identified by the Code, that are relevant in its determination as to whether a Director is independent. In addition, the NC reviews the individual directors' declaration in their assessment of independence. The Independent Directors confirmed their independence in accordance with the Code. The NC has also reviewed and confirmed the independence of the Independent Directors in accordance with the Code during the NC and Board meetings held in February 2019.
	(a) Is there any Director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the Director and specify the nature of such relationship.	There are no Directors who is deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.
	(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	Not applicable.
2.4	Has any Independent Director served on the Board for more than nine years since the date of his first appointment? If so, please identify the Director and set out the Board's reasons for considering him independent.	There are no Directors who has served beyond nine years since the date of his/her first appointment.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>2.5</td><td>What are the steps taken by the Board to progressively renew the Board composition?</td><td>The Board is of the opinion that it would be most effective to draw on the wealth of experience from the longer serving directors while concurrently taking progressive steps to review and consider opportunities to refresh the Board as and when deemed required.

To meet the changing challenges in the industry and country which the Group operates in, such reviews, which includes considering factors such as the expertise, skills and perspectives which the Board needs against the existing competencies would be done on an annual basis to ensure that the Board dynamics remain optimal.</td></tr>
<tr><td rowspan="2">2.6</td><td>(a) What is the Board's policy with regard to diversity in identifying director nominees?</td><td>The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group and it also takes cognizance on gender diversity.</td></tr>
<tr><td>(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.</td><td>The current Board composition provides a diversity of skills, experience, gender and knowledge to the Company as follows:
<table>
<tr><th colspan="3">Table 2.6 – Balance and Diversity of the Board</th></tr>
<tr><th></th><th>Number of Directors</th><th>Proportion of Board</th></tr>
<tr><td>Core Competencies</td><td></td><td></td></tr>
<tr><td>– Accounting or finance</td><td>4</td><td>67%</td></tr>
<tr><td>– Business management</td><td>6</td><td>100%</td></tr>
<tr><td>– Legal or corporate governance</td><td>2</td><td>33%</td></tr>
<tr><td>– Relevant industry knowledge or experience</td><td>3</td><td>50%</td></tr>
<tr><td>– Strategic planning experience</td><td>6</td><td>100%</td></tr>
<tr><td>– Customer based experience or knowledge</td><td>2</td><td>33%</td></tr>
<tr><td>Gender</td><td></td><td></td></tr>
<tr><td>– Male</td><td>4</td><td>67%</td></tr>
<tr><td>– Female</td><td>2</td><td>33%</td></tr>
</table></td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(c) What steps have the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?	The Board has taken the following steps to maintain or enhance its balance and diversity: • Annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and • Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board. The NC will consider the results of these exercises in its recommendation for the appointment of new directors and/or the re-appointment of incumbent directors.
2.8	Have the Non-Executive Directors met in the absence of key management personnel in the last financial year?	The Non-Executive Directors are scheduled to meet regularly, and as warranted, in the absence of key management personnel to discuss concerns or matters such as the effectiveness of Management. The Non-Executive Directors have met once in the absence of key management personnel in February 2018.
Chairman and Chief Executive Officer		
3.1	Are the duties between Chairman and CEO segregated?	Mr Anthony Wong has been re-designated from Non-Executive and Independent Director to Non-Executive and Independent Chairman of the Company with effect from 18 January 2018. Mr Ko Jihwan was appointed as CEO of the Company in place of Mr Richard Lee, Interim CEO of the Company with effect from 20 February 2019. The roles of Chairman and CEO are handled by two separate persons and the duties are segregated.
3.2	What are the roles and responsibilities of the Chairman?	The Chairman should: (a) lead the Board to ensure its effectiveness on all aspects of its role; (b) set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues; (c) promote a culture of openness and debate at the Board; (d) ensure that the directors receive complete, adequate and timely information; (e) ensure effective communication with shareholders; (f) encourage constructive relations within the Board and between the Board and Management; (g) facilitate the effective contribution of non-executive directors in particular; and (h) promote high standards of corporate governance. The responsibilities set out above provide guidance and should not be taken as a comprehensive list of all the duties and responsibilities of a Chairman.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
3.4	Have the Independent Directors met in the absence of the other directors?	Led by the Lead Independent Director, the Independent Directors will meet in the absence of the other directors as and when circumstances warrant. The Independent Directors have met once in the absence of the other Directors in FY2018.
Board Membership		
4.1	What are the duties of the NC?	The NC is guided by key terms of reference as follows: (a) Reviewing and recommending candidates for appointments to the Board and Board Committees; (b) Reviewing and approving any new employment of related persons and proposed terms of their employment; (c) Re-nominating the Company's Directors for re-election in accordance with the Constitution at each annual general meeting and having regard to the Director's contribution and performance (including alternate directors, if applicable). All Directors are required to retire from office once in every three years. However, a retiring Director including the CEO who is also a Director is eligible for re-election at the meeting at which he retires; (d) Determining on an annual basis whether or not a Director of the Company is independent; (e) Deciding whether or not a Director of the Company is able to and has been adequately carrying out his duties and responsibilities as a director, including time and effort contributed to the Company, attendance at meetings of the Board and Board Committees, participation at meetings and contributions of constructive, analytical, independent and well-considered views, and taking into consideration the Director's number of listed company board representations and other principal commitments; (f) Deciding how the Board's, Board Committees' and individual Director's performance may be evaluated and propose objective performance criteria, as approved by the Board, that allows comparison with its industry peers, and address how the Board has enhanced long term shareholders' value; (g) Recommending to the Board the review of board succession plans for the Company's Directors, in particular, for the Chairman and the Chie Executive Officer; (h) Reviewing training and professional development programs for the Board; (i) Recommending the appointment of key management positions, reviewing succession plans for key positions within the Group and overseeing the development of key executives and talented executives within the Group; and

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		(j) Reviewing and assessing from time to time whether any Director or any person involved in the day-to-day management of the Group is related to, or is appointed pursuant to an agreement or arrangement with, a controlling shareholder and/or its associates.
4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?	The Board has set the maximum number of listed company board representations as 6. Having assessed the capacity of the Directors based on factors disclosed in Section 4.4(c) below, the Board is of the view that this number would allow Directors to have increased exposure to different Boards and broaden their experience and knowledge in relation to Board matters, hence ultimately benefitting the Company.
	(b) If a maximum has not been determined, what are the reasons?	Not applicable.
	(c) What are the specific considerations in deciding on the capacity of directors?	The considerations in assessing the capacity of Directors include the following: • Expected and/or competing time commitments of Directors, including whether such commitment is a full-time or part-time employment capacity; • Geographical location of Directors; • Size and composition of the Board; • Nature and scope of the Group's operations and size; and • Capacity, complexity and expectations of the other listed directorships and principle commitments held.
	(d) Have the Directors adequately discharged their duties?	The NC has reviewed the time spent and attention given by each of the Directors to the Company's and the Group's affairs, taking into account the multiple directorships and other principal commitments of each of the Directors (if any), and is satisfied that all Directors have discharged their duties adequately for FY2018.
4.5	Are there alternate Directors?	The Company does not have any alternate directors to the existing Directors of the Company. Alternate directors will be appointed as and when the Board deems necessary. Circumstances which warrant such appointments may include health, age related concerns as well as Management succession plans.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	***Table 4.6(a) – Process for the Selection and Appointment of New Directors*** 1. Determination of selection criteria • The NC, in consultation with the Board, would identify the current needs of the Board in terms of skills, experience, knowledge and gender to complement and strengthen the Board. 2. Search for suitable candidates • The NC would consider candidates proposed by the Directors, key management personnel or substantial shareholders, and may engage external search consultants where necessary. 3. Assessment of shortlisted candidates • The NC would meet and interview the shortlisted candidates to assess their suitability. 4. Appointment of director • The NC would recommend the selected candidate to the Board for consideration and approval. ***Table 4.6(b) – Process for the Re-electing Incumbent Directors*** 1. Assessment of director • The NC would assess the performance of the director in accordance with the performance criteria set by the Board; and • The NC would also consider the current needs of the Board. 2. Re-appointment of director • Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-election of the director to the Board for its consideration and approval.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>4.7</td><td>Please provide Directors' key information.</td><td>
The key information of the Directors, including their appointment dates and directorships in other listed companies held in the past 3 years, are set out on page 25 to 26 of this annual report. Additional details are also shown below.
<table>
<tr><th colspan="4">Table 4.7 – Directorship Additional Details</th></tr>
<tr><th>Name</th><th>Initial Appointment Date</th><th>Date of last re-election</th><th>Directorships held in the past 3 years</th></tr>
<tr><td>Anthony Wong</td><td>20 June 2014</td><td>21 April 2015</td><td>China Public Procurement Limited</td></tr>
<tr><td>Richard Lee</td><td>18 January 2018</td><td>28 April 2018</td><td>Spackman Equities Group Inc.</td></tr>
<tr><td>Yoo Jin Lee</td><td>20 June 2014</td><td>28 April 2018</td><td>Nil</td></tr>
<tr><td>Na Kyoungwon</td><td>18 January 2018</td><td>28 April 2018</td><td>Spackman Equities Group Inc.</td></tr>
<tr><td>Jessie Ho</td><td>10 January 2014</td><td>28 April 2018</td><td>Nil</td></tr>
<tr><td>Ng Hong Whee</td><td>20 June 2014</td><td>27 April 2017</td><td>Imperium Crown Limited
Sincap Group Limited</td></tr>
</table>
Mr Anthony Wong and Mr Ng Hong Whee will retire by rotation pursuant to the Constitution of the Company, and will, being eligible and having consented, be nominated for re-election as Directors at the forthcoming AGM. Upon re-election, Mr Anthony Wong will remain as the Non-executive and Independent Chairman of the Company, Chairman of the ARMC and a member of the NC and RC. Mr Ng Hong Whee, will upon re-election, remain as the Non-executive and Independent Director of the Company, Chairman of the RC and a member of ARMC. Mr Anthony Wong and Mr Ng Hong Whee will be considered independent for the purpose of Rule 704(7) of the Catalist Rules.
The NC, with the respective member who is interested in the discussion having abstained from the deliberations, had recommended the above respective Directors for re-election at the forthcoming AGM.
</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td colspan="3">Board Performance</td></tr>
<tr><td>5.1
5.2
5.3</td><td>What is the performance criteria set to evaluate the effectiveness of the Board as a whole and its board committees, and for assessing the contribution by each Director to the effectiveness of the Board?</td><td>Table 5 sets out the performance criteria, as recommended by the NC and approved by the Board, to be relied upon to evaluate the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution by each Director to the effectiveness of the Board:
<table>
<tr><td colspan="3">Table 5</td></tr>
<tr><th>Performance Criteria</th><th>Board and Board Committees</th><th>Individual Directors</th></tr>
<tr><td>Qualitative</td><td>1. Size and composition
2. Access to information
3. Board processes
4. Strategic planning
5. Board accountability
6. Risk management
7. Succession planning</td><td>1. Commitment of time
2. Knowledge and abilities
3. Teamwork
4. Independence (if applicable)
5. Overall effectiveness</td></tr>
<tr><td>Quantitative</td><td>1. Return on equity
2. Performance of the Company's share price over a 3-year period vis-à-vis the FTSE Straits Time Index and a benchmark of the Company's industry peers</td><td>1. Attendance at Board and Board Committee meetings</td></tr>
</table>
The NC would review the criteria on a periodic basis to ensure that the criteria is able to provide an accurate and effective performance assessment taking into consideration industry standards and the economic climate with the objective to enhance long term shareholders value, thereafter propose amendments if any, to the Board for approval.

The NC did not propose any changes to the performance criteria for FY2018 as compared to the previous financial year as the economic climate, Board composition, the Group's principal business activities remained substantially the same since FY2015.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?	The review of the performance of the Board and the Board Committees is conducted by the NC annually. The review of the performance of each Director is also conducted at least annually and when the individual Director is due for re-election. The Company had conducted its review in February 2019 and the process was as follows: 1. All Directors individually completed a board evaluation questionnaire on the effectiveness of the Board, the Board Committees and the individual Directors based on criteria disclosed in Table 5 above; 2. One of the Company Secretaries collated and submitted the questionnaire results to the NC Chairman in the form of a report; and 3. The NC discussed the report and concluded the performance results during the NC meeting. All NC members have abstained from the voting or review process of any matters in connection with the assessment of his/her performance. No external facilitator was used in the evaluation process.
	(b) Has the Board met its performance objectives?	Yes, the Board has met its performance objectives.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td colspan="3"><u>Access to Information</u></td></tr>
<tr><td>6.1
6.2</td><td>What types of information does the Company provide to Independent Directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?</td><td>It is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's performance, position and prospects. This responsibility extends to the interim and full-year financial results announcements, other price-sensitive public reports and reports to regulators (if required).

Management provides the Board with key information that is complete, adequate and timely. The types of information which are provided by Management to Independent Directors are set out in the table below:

<table>
<tr><td colspan="3">Table 6 – Types of information provided by key management personnel to Independent Directors</td></tr>
<tr><td></td><td>Information</td><td>Frequency</td></tr>
<tr><td>1.</td><td>Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)</td><td>Quarterly, and when necessary</td></tr>
<tr><td>2.</td><td>Updates to the Group's operations and the markets in which the Group operates in</td><td>Quarterly</td></tr>
<tr><td>3.</td><td>Budgets and/or forecasts (with variance analysis)</td><td>Quarterly</td></tr>
<tr><td>4.</td><td>Management accounts</td><td>Monthly[1]</td></tr>
<tr><td>5.</td><td>Reports on on-going or planned corporate actions</td><td>Quarterly, and when necessary</td></tr>
<tr><td>6.</td><td>EA report(s) and Internal auditors' ("IA") report(s)</td><td>Annually</td></tr>
<tr><td>7.</td><td>Research report(s)</td><td>Quarterly</td></tr>
</table>

Note:
(1) The Management will provide the management accounts on a monthly basis or when available.

Management will also on best endeavours, encrypt documents which bear material price sensitive information when circulating documents electronically.

Key management personnel will also provide any additional material or information that is requested by Directors or that is necessary to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
6.3	What is the role of the Company Secretary?	All Directors have separate and independent access to the Joint Company Secretaries. The role of the Joint Company Secretaries, the appointment and removal of whom is a matter for the Board as a whole, is as follows: • Ensuring that Board procedures are observed and that the Company's Constitution, relevant rules and regulations, including requirements of the Securities and Futures Act (Chapter 289) of Singapore, the Companies Act (Chapter 50) of Singapore and the Catalist Rules, are complied with; • Assisting the Chairman and the Board to implement and strengthen corporate governance practices, with a view to enhancing long-term shareholder value; • Assisting the Chairman to ensure good information flows within the Board and its committees and key management personnel of the Group; • Facilitating orientation and assisting with professional development as required; • Training, designing and implementing a framework for key management personnel's compliance with the Catalist Rules, including timely disclosure of material information; • Attending and preparing minutes for all Board and Board Committee meetings; • As secretary to all the other Board Committees, the Joint Company Secretaries assist to ensure coordination and liaison between the Board, the Board Committees and key management personnel; and • Assisting the Chairman, the Chairman of each Board Committee and key management personnel in the development of the agendas for the various Board and Board Committee meetings. Individually or collectively, in order to execute their duties, Directors are able to obtain independent professional advice at the Company's expense as and when required.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
REMUNERATION MATTERS		
Developing Remuneration Policies		
7.1	What is the role of the RC?	The RC is guided by key terms of reference as follows: (a) Review and recommend to the Board a general framework of remuneration and specific remuneration packages for each Director and key management personnel; (b) Review and recommend to the Board the service contracts of Executive Directors and key management personnel and ensure that such services contracts are fair and not excessively long or with onerous renewal/termination clauses; (c) Reviewing the on-going appropriateness and relevance of the executive remuneration policy and other benefit programs; (d) Considering, reviewing and approving and/or varying (if necessary) the entire specific remuneration package and service contract terms for each member of key management (including salaries, allowances, bonuses, payments, options, benefits in kind, retirement rights, severance packages and service contracts) having regard to the executive remuneration policy for each of the companies within the Group; (e) Considering and approving termination payments, retirement payments, gratuities, ex-gratia payments, severance payments and other similar payments to each member of key management; (f) Determining, reviewing and approving the design of all option plans, stock plans and/or other equity based plans that the Group proposes to implement, to determine each year whether awards will be made under such plans, to review and approve each award as well as the total proposed awards under each plan in accordance with the rules governing each plan and to review, approve and keep under review performance hurdles and/or fulfilment of performance hurdles under such plans; (g) Reviewing the remuneration of employees who are related to the Directors and substantial shareholders of the Company to ensure that their remuneration packages are in line with the staff remuneration guideline and commensurate with their respective job scopes and level of responsibilities; and (h) To administer the Spackman Entertainment Group Limited Employee Share Option Scheme.
7.3	Were remuneration consultants engaged in the last financial year?	No remuneration consultants were engaged by the Company in FY2018.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>8.4</td><td>Are "claw-back" provisions provided for in the service agreements of Executive Directors and key management personnel?</td><td>The Company currently does not have any contractual provisions which allow it to reclaim incentives from the Executive Directors and key management personnel in certain circumstances.

The Board is of the view that as the Group pays performance bonuses based on the actual performance of the Group and/or Company (and not on forward-looking results) as well as the actual results of its Executive Directors and key management personnel, "claw-back" provisions in the service agreements may not be relevant or appropriate.</td></tr>
<tr><td colspan="3"><u>Disclosure on Remuneration</u></td></tr>
<tr><td>9</td><td>What is the Company's remuneration policy?</td><td>The Company's remuneration policy which covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, benefits-in-kind, bonuses, options, share-based incentives and awards, is one that seeks to attract, retain and motivate talent to achieve the Group's business vision and create sustainable value for its stakeholders. The policy articulates to staff the link that total compensation has to the achievement of organisational and individual performance objectives, and benchmarked against relevant and comparative compensation in the market.</td></tr>
<tr><td>9.1
9.2</td><td>Has the Company disclosed each Director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/ bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</td><td>The breakdown for the remuneration of the Directors for FY2018 is as follows:

<table>
<tr><td colspan="8">Table 9.2 – Remuneration of Directors</td></tr>
<tr><th>Name</th><th>Remuneration band[1]</th><th>Salary (%)</th><th>Bonus (%)</th><th>Directors fee (%)</th><th>Benefits-in-kind (%)</th><th>Others (%)</th><th>Total (%)</th></tr>
<tr><td>Richard Lee[2]</td><td>A</td><td>100</td><td></td><td></td><td></td><td></td><td>100</td></tr>
<tr><td>Na Kyoungwon</td><td>A</td><td>100</td><td></td><td></td><td></td><td></td><td>100</td></tr>
<tr><td>Eugene Lee</td><td>B</td><td>95</td><td>–</td><td>–</td><td>–</td><td>5</td><td>100</td></tr>
<tr><td>Jung Suk Young[3]</td><td>A</td><td>100</td><td>–</td><td>–</td><td>–</td><td>–</td><td>100</td></tr>
<tr><td>Jessie Ho</td><td>A</td><td>–</td><td>–</td><td>100</td><td>–</td><td>–</td><td>100</td></tr>
<tr><td>Anthony Wong</td><td>A</td><td>–</td><td>–</td><td>100</td><td>–</td><td>–</td><td>100</td></tr>
<tr><td>Ng Hong Whee</td><td>A</td><td>–</td><td>–</td><td>100</td><td>–</td><td>–</td><td>100</td></tr>
</table>

Notes:
(1) Remuneration bands:
"A" refers to remuneration of up to S$250,000 per annum.
"B" refers to remuneration from S$250,001 to S$500,000 per annum.
(2) Mr Richard Lee resigned as Interim CEO and was re-designated from Executive Director to Non-executive Director with effect from 20 February 2019.
(3) Mr Jung Suk Young resigned as Executive Director of the company with effect from 20 February 2019.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td></td><td>No Directors received any stock options for FY2018.

After reviewing the industry practice and analysing the advantages and disadvantages in relation to the disclosure of remuneration of each Director and key management personnel, the Company is of the view that such disclosure would be prejudicial to its business interest given the highly competitive environment.

There were no termination, retirement and post-employment benefits that were granted to the Directors, CEO and the key management personnel (who are not Directors or the CEO) for FY2018.</td></tr>
<tr><td>9.3</td><td>(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or more in detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</td><td>The breakdown for the remuneration of a top key management personnel (who is not Director or the CEO) of the Group for FY2018 is as follows:

<table>
<tr><th colspan="6">Table 9.3 – Remuneration of Key Management Personnel</th></tr>
<tr><th>Name</th><th>Remuneration band[(1)]</th><th>Salary (%)</th><th>Bonus (%)</th><th>Others[(2)] (%)</th><th>Total (%)</th></tr>
<tr><td>Jasmine Leong</td><td>A</td><td>85</td><td>–</td><td>15</td><td>100</td></tr>
</table>

Notes:
(1) Remuneration band "A" refers to remuneration of up to S$250,000 per annum.
(2) Others refer to defined contribution benefits. Please refer to note 7 of the financial statements on page 106 of the annual report for further details.

No key management personnel received any stock options for FY2018.</td></tr>
<tr><td></td><td>(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).</td><td>The total remuneration paid to the sole key management personnel for FY2018 was less than S$250,000 per annum.</td></tr>
<tr><td>9.4</td><td>Is there any employee who is an immediate family member of a Director or the CEO, and whose remuneration exceeds S$50,000 during the last financial year? If so, please identify the employee and specify the relationship with the relevant Director or the CEO.</td><td>There was no employee of the Group who was an immediate family of a Director or the CEO whose remuneration exceeded S$50,000 in FY2018.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
9.5	Please provide details of the employee share scheme(s).	The Company has adopted a share option scheme known as the "Spackman Entertainment Group Limited Employee Share Option Scheme" on 20 June 2014 ("**Scheme**"). The Scheme is designed to reward and retain employees whose services are vital to the Group's well-being and success. Factors which will be considered by the Administration Committee (as defined herein) in determining the number of options to be granted, and whether to give a discount and the quantum of the discount, include, *inter alia*, the performance of the Group and the performance of the participant concerned, the contribution of the participant to the success and development of the Group and the prevailing market conditions. For instance, where the Group needs to provide more compelling motivation for specific business units to improve their performance, grants of options will help to align the interests of employees with those of shareholders by encouraging them to focus more on improving the profitability and return of the Group above a certain level which will benefit all shareholders when these are eventually reflected through share price appreciation. The Scheme allows for participation by confirmed employees of the Group (including Executive Directors) and Non-Executive Directors (including Independent Directors) who have attained the age of 21 years on or prior to the date of grant of the option, provided that none of them is an undischarged bankrupt or have entered into a composition with his creditors. Controlling shareholders and their associates who meet the eligibility criteria above shall be eligible to participate in the Scheme, provided that (a) the participation of, and (b) the terms of any options to be granted and the actual number of options to be granted under the Scheme, to a participant who is a controlling shareholder or an associate of a controlling shareholder shall be approved by the independent shareholders in separate resolutions for each such person. The Company will at such time provide the rationale and justification for any proposal to grant the controlling shareholder or his associate any options (including the rationale for any discount to the market price, if so proposed).

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td></td><td>The Scheme is administered by the RC ("Administration Committee"). The total number of new shares over which options may be granted pursuant to the Scheme, when added to the number of shares issued and issuable in respect of all options granted under the Scheme and any other share-based incentive schemes of the Company), shall not exceed 15% of the number of issued shares of the Company (including treasury shares), on the day immediately preceding the date of the relevant grant of the option.

Since the commencement of the Scheme up to the date of this report, no options have been granted under the Scheme. Further details on the Scheme were set out in the Company's Offer Document dated 11 July 2014.</td></tr>
<tr><td>9.6</td><td>(a) Please describe how the remuneration received by Executive Directors and key management personnel has been determined by the performance criteria.</td><td>The remuneration received by the Executive Directors and key management personnel takes into consideration his or her individual performance and contribution towards the overall performance of the Group for FY2018. Their remuneration is made up of fixed and variable compensations. The fixed compensation consists of an annual base salary, fixed allowance and annual wage supplement. The variable compensation is determined based on the level of achievement of corporate and individual performance objectives.</td></tr>
<tr><td></td><td>(b) What were the performance conditions used to determine their entitlement under the short term and long term incentive schemes?</td><td>The following performance conditions were chosen for the Group to remain competitive and to motivate the Executive Directors and key management personnel to work in alignment with the goals of all stakeholders:

<table>
<tr><td colspan="3">Table 9.6(b)</td></tr>
<tr><th>Performance Conditions</th><th>Short-term Incentives
(such as performance bonus)</th><th>Long-term Incentives
(such as the Scheme, Not Applicable Currently)</th></tr>
<tr><td>Qualitative</td><td>1. Leadership
2. People development
3. Commitment
4. Teamwork
5. Current market and industry practices</td><td>1. Current market and industry practices</td></tr>
<tr><td>Quantitative</td><td>1. Return on equity
2. Relative financial performance of the Group to its industry peers for that particular financial year under assessment</td><td>1. Relative financial performance of the Group to its industry peers over a 3-year period</td></tr>
</table>
</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(c) Were all of these performance conditions met? If not, what were the reasons?	The Group reported a series of positive developments in its business development and expansion plans throughout the year in terms of the short-term incentives, hence most of these performance conditions are met.
ACCOUNTABILITY AND AUDIT		
Risk Management and Internal Controls		
11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.	The Board is of the view that the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective for FY2018. The bases for the Board's view are as follows: 1. Assurance has been received from the former interim CEO, CEO and CFO; 2. An internal audit has been done by the internal auditors ("**IA**") and significant matters highlighted to the ARMC and key management personnel were appropriately addressed; 3. Key management personnel regularly evaluates, monitors and reports to the ARMC on material risks; and 4. Discussions were held between the ARMC and auditors in the absence of the key management personnel to review and address any potential concerns. The Company is gradually placing emphasis on sustainability and would implement appropriate policies and programmes when the opportunities arise.
	(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the IA that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	Yes, the Board has obtained such assurance from Mr Richard Lee, former interim CEO of the Company, who was redesignated as a Non-executive Director of the Company with effect from 20 February 2019, Mr Na Kyoungwon, former CFO who was redesignated as COO, Executive Director and President with effect from 20 February 2019 and Mr John Ko, who was appointed as CEO of the Company with effect from 20 February 2019, in respect to FY2018. The Board has relied on the independent auditors' report as set out in this Annual Report as assurance that the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances. The Board has additionally relied on the IA reports in respect of our subsidiaries, namely, Zip Cinema Co., Ltd. and Frame Pictures Co, Ltd which were issued to the Company in February 2019 as assurances that the Company's risk management and internal control systems are effective.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Audit and Risk Management Committee		
12.1 12.4	What is the role of the ARMC?	All members of the AC are independent and non-executive directors who do not have any management and business relationships with the Company or any substantial shareholder of the Company. None of the AC members were previous partners or directors of the Company's external audit firm within the last twelve months and none of the AC members hold any financial interest in the external audit firm. The ARMC is guided by the following key terms of reference: (a) Reviewing with the internal and external auditors the audit plans, scope of work, their evaluation of the system of internal accounting controls, their letter to management and the management's response, and results of the audits compiled by the internal and external auditors; (b) Reviewing the quarterly and annual financial statements and results announcements before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Catalist Rules and any other relevant statutory or regulatory requirements; (c) Reviewing the effectiveness and adequacy of the internal controls and procedures, including accounting and financial controls and procedures, and ensuring co-ordination between the internal and external auditors, and the management, and reviewing the assistance given by the management to the auditors, and discussing problems and concerns, if any, arising from audits, and any matters which the auditors may wish to discuss (in the absence of the Management, where necessary); (d) Reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Group's key internal controls with the CFO and the internal and external auditors, including financial, operational, compliance and information technology controls via review carried out by the internal auditors;

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		(e) Reviewing and discussing with the external auditors 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) Reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors, and to make recommendations to the Board on the proposals to the Shareholders on the appointment or re-appointment of the external auditors, matters relating to the resignation or dismissal of the auditors, and approving the remuneration and terms of engagement of the external auditors; (g) Reviewing significant financial reporting issues and judgments with the CFO and the external auditors so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance before their submission to the Board of Directors; (h) Reviewing the scope, results and cost-effectiveness of internal audit procedures as well as the effectiveness of the Group and the Company's internal audit function; (i) Reviewing and approving transactions (if any) falling within the scope of Chapter 9 and Chapter 10 of the Catalist Rules; (j) Reviewing potential conflicts of interest (if any) and to set out a framework to resolve or mitigate any potential conflicts of interests; (k) Reviewing and approving all hedging policies and instruments (if any) to be implemented by the Group; (l) Undertaking such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the ARMC; (m) Reviewing the financial risk areas, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or if the findings are material, to be immediately announced via SGXNET;

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td></td><td>(n) Reviewing and establishing procedures for receipt, retention and treatment of complaints received by the Group regarding among other things, criminal offences involving the Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Group;

(o) Reviewing the Group's compliance with such functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time;

(p) Generally undertaking such other functions and duties as may be required by statute or the Catalist Rules, or by such amendments as may be made thereto from time to time; and

(q) Reviewing the whistle blowing policy and arrangements by which the staff and external parties may, in confidence, raise concerns about improprieties in matters of financial reporting or other matters, and to ensure that those arrangements are in place for independent investigations of such matters and for appropriate follow-up.

In the review of the financial statements, the AC has discussed with the Management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. Significant matters impacting the financial statements were discussed between the Management and the EA. These were reviewed and addressed by the ARMC accordingly under the Key Audit Matters highlighted in the Independent Auditor's Report stated in this Annual report.</td></tr>
<tr><td>12.5</td><td>Has the ARMC met with the auditors in the absence of key management personnel?</td><td>Yes, the ARMC has met with the IA and the external auditors ("EA") once in the absence of key management personnel in February 2019.</td></tr>
<tr><td>12.6</td><td>Has the ARMC reviewed the independence of the EA?</td><td>There were no non-audit services provided by the EA in FY2018. The ARMC has reviewed, and is satisfied with, the independence of the EA and has recommended the re-appointment of the EA at the forthcoming AGM.</td></tr>
<tr><td></td><td>(a) Please provide a breakdown of the fees paid in total to the EA for audit and non-audit services for the financial year.</td><td><table>
<tr><th colspan="3">Table 12.6(a) – Fees Paid/Payable to the EA for FY2018</th></tr>
<tr><td></td><td>S$</td><td>% of total</td></tr>
<tr><td>Audit fees</td><td>124,000</td><td>100</td></tr>
<tr><td>Non-audit fees</td><td>–</td><td>–</td></tr>
<tr><td>Total</td><td>124,000</td><td>100</td></tr>
</table></td></tr>
<tr><td></td><td>(b) If the EA have supplied a substantial volume of non-audit services to the Company, please state the bases for the ARMC's view on the independence of the EA.</td><td>There were no non-audit services rendered during FY2018.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
12.7	Does the Company have a whistle-blowing policy?	Yes. The Company's staff and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters by submitting a whistle blowing report to the appointed officer or Executive Chairman of the Company or a member of ARMC.
12.8	What are the ARMC's activities or the measures it has taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements?	The ARMC was briefed by the EA on changes or amendments to accounting standards.
Internal Audit		
13.1 13.2 13.3 13.4 13.5	Please provide details of the Company's internal audit function, if any.	The Company's internal audit function is outsourced to Crowe Horwath First Trust Risk Advisory Pte. Ltd. ("**Crowe Horwath**") that reports directly to the ARMC Chairman and administratively to the CEO and CFO. The ARMC reviews and approves the internal audit plan to ensure the adequacy of the scope of audit. The internal audit plan complements that of the external auditors and together forms a robust risk-based audit approach to facilitate the AC's review of the adequacy and effectiveness of the Group's risk management and internal control systems. The ARMC is satisfied that internal auditor is able to discharge its duties effectively as the internal auditor: • is adequately qualified, given that it is a member of the Institute of Internal Auditors and aligns its practices to the Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors; • is adequately resourced as there is a team of 6 members assigned to the Company's internal audit, led by Alfred Cheong who has more than 20 years of relevant experience; and • has the appropriate standing in the Company, given, inter alia, its involvement in certain AC meetings and its unfettered access to all the Group's documents, records, properties and personnel, including direct access to the AC.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
SHAREHOLDER RIGHTS AND RESPONSIBILITIES		
Shareholder Rights		
14.2	Are shareholders informed of the rules, including voting procedures, that govern general meetings of shareholders?	Shareholders are entitled to attend the general meetings of shareholders and are afforded the opportunity to participate effectively in and vote at general meetings of shareholders. An independent polling agent is appointed by the Company for general meetings who will explain the rules, including the voting procedures, that govern the general meetings of shareholders.
14.3	Are corporations which provide nominee or custodial services allowed to appoint more than two proxies?	The Company's Constitution allows a shareholder to appoint up to two proxies to attend and vote in the shareholder's place at the general meetings of shareholders. Pursuant to the introduction of the multiple proxies regime under the Singapore Companies (Amendment) Act 2014, indirect investors who hold the Company's shares through a nominee company or custodian bank or through a Central Provident Fund agent bank may attend and vote at general meetings.
Communication with Shareholders		
15.1	(a) Does the Company have an investor relations policy?	The Company has in place an investor relations policy to promote regular, effective and fair communication. The Company's investor relations website (http://www.spackmanentertainmentgroup.com/investor-relations2.html) is a key resource of information for the investment community. It contains comprehensive information on the Company, including annual reports, corporate filings, past financial results, announcements, press releases, research reports and related news articles. The Company regularly updates its website to keep its stakeholders up to date. The key media and investor relations contact is also shared on the Company's website.
15.2 15.3 15.4	(b) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?	The Company solicits feedback from and addresses the concerns of shareholders (including institutional and retail investors) via the following: • a dedicated internal investor relations officer whose contact details can be found on our corporate website at www.spackmanentertainmentgroup.com or the back inside cover of the annual report; • investor and analyst briefings; and • investor roadshows. The Company participated in several investor briefings and/or roadshows in FY2018 to engage with institutional companies and retail brokers to reach out to funds and retail investors. These include investor and/or analyst meetings with Maybank Kim Eng, RHB and UOB Kay Hian, as well as one-to-one meetings with funds in Singapore, Hong Kong and Korea.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(c) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	Yes, the Company has a dedicated investor relations team.
	(d) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	Apart from the SGXNET announcements and its annual report, the Company updates shareholders on its corporate developments through its corporate website at www.spackmanentertainmentgroup.com.
15.5	Does the Company have a dividend policy?	The Company does not have a fixed dividend policy. Nonetheless, key management personnel will review, inter alia, the Group's performance in the relevant financial period, projected capital needs and working capital requirements and make appropriate recommendations to the Board on dividend declaration.
	Is the Company is paying dividends for the financial year? If not, please explain why.	The Board has not declared or recommended any dividend for FY2018.
CONDUCT OF SHAREHOLDER MEETINGS		
16.1 16.3 16.4 16.5	How are the general meetings of shareholders conducted?	The Company's Constitution allows for abstentia voting, including but not limited to the voting by mail or electronic mail. The Company requires all Directors (including the respective chairmen of the Board Committees) to be present at all general meetings of shareholders, unless of exigencies. The EA is also required to be present to address shareholders' queries about the conduct of audit and the preparation and content of the independent auditor's report. All resolutions are put to vote by electronic poll, so as to better reflect shareholders' interest and ensure greater transparency. Votes cast for and against each resolution will be tallied and displayed live-on-screen to shareholders immediately at the meeting. The detailed results including the total number and percentage of votes cast for and against each resolution will be announced via SGXNET after the conclusion of the general meeting. All minutes of general meetings, including the questions raised by shareholders in relation to the meeting agenda and the responses from the Board and/or Management, will made available to shareholders upon their request after the general meeting.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH APPLICABLE CATALIST RULES		
Catalist Rule	**Rule Description**	**Company's Compliance or Explanation**
712, 715 or 716	Appointment of Auditors	The Company confirms its compliance to the Catalist Rules 712 and 715.
1204(8)	Material Contracts	There were no material contracts entered into by the Group involving the interest of the CEO, any Director, or controlling shareholder, which are either still subsisting at the end of FY2018 or if not then subsisting, entered into since the end of the previous financial year.
1204(10)	Confirmation of adequacy of internal controls	The Board and the ARMC are of the opinion that the internal controls are adequate and effective in addressing the financial, operational, compliance and information technology risks which the Group considers relevant and material to its current business scope and environment based on the following: • internal controls established by the Company; • work performed by the IA and EA; • assurance from the acting CEO and CFO; and • review performed by the various Board Committees and key management personnel. The system of internal controls and risk management established by the Company provides reasonable, but not absolute assurance that the Company will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Catalist Rule</th><th>Rule Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>1204(17)</td><td>Interested Persons Transaction ("IPT")</td><td>
The Group has procedures governing all IPTs to ensure that they are properly documented and reported on a timely manner to the ARMC and that they are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.
The Group has not obtained a general mandate from shareholders for interested person transactions.
The aggregate value of interested person transactions during FY2018 is as follows:
<table>
<tr><th>Name of interested person</th><th>Aggregate value of all interested person transactions during the financial year under review (excluding) transactions less than S$100,000 and conducted under shareholders' mandate pursuant to Rule 920 (S$'000)</th><th>Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) (S$'000)</th></tr>
<tr><td>Eugene Lee (Executive Director and Chief Producer of the Company)</td><td>751[1]</td><td>Not applicable</td></tr>
<tr><td>Spackman Equities Group Inc.[1]</td><td>124[2]</td><td>Not applicable</td></tr>
</table>
Notes:
(1) Relates to a loan of KRW200 million which was extended from Zip Cinema to Eugene Lee on 2 August 2017 and an additional loan of KRW380 million to Eugene Lee on 25 October 2018.
(2) Spackman Equities Group Inc. is a controlling shareholder of the Company with an approximate shareholding interest 14.39% in the Company. This relates to the monthly rental payable under the lease agreement dated 28 September 2015 between the Company's wholly-owned subsidiary, Spackman Entertainment (HK) Limited (the "Lessor") and Spackman Equities Group Inc. (the "Lessee") for usage of office starting from 16 January 2016. The lease agreement was terminated on 31 October 208.
</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Catalist Rule	Rule Description	Company's Compliance or Explanation
1204(19)	Dealing in Securities	The Company has adopted an internal policy which prohibits the Directors and officers from dealings in the securities of the Company while in possession of price-sensitive information. The Company, its Directors and officers are also discouraged from dealing in the Company's securities on short term considerations and are prohibited from dealing in the Company's securities during the period beginning two weeks before the announcement of the Company's quarterly financial statements and one month before the announcement of the Company's full-year financial statements respectively, and ending on the date of the announcement of the relevant results.
1204(21)	Non-sponsor fees	RHT Capital Pte. Ltd. ("**RHT Capital**") was appointed as the Company's sponsor in place of PrimePartners Corporate Finance Pte. Ltd. ("**PPCF**") with effect from 8 March 2018. For FY2018, the Company paid to its sponsor, RHT Capital fees of S$28,000 as advisory services in relation to its spin-off listing of Spackman Novus Pte. Ltd.
1204(22)	Use of IPO Proceeds	There are no outstanding proceeds raised from IPO or any offerings pursuant to Chapter 8 of the Catalist Rules.

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2018.

In the opinion of the directors:

(i) the consolidated financial statements of the Group and the balance sheet and the statement of changes in equity of the Company as set out on pages 12 to 88 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended in accordance with the provisions of the Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); 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 in office at the date of this statement are:

Richard Lee	(Appointed on 18 January 2018)
Na Kyoungwon	(Appointed on 18 January 2018)
Yoo Jin Lee ("Eugene Lee")	
Thong Yuen Siew Jessie ("Jessie Ho")	
Anthony Wei Kit Wong ("Anthony Wong")	
Ng Hong Whee	

Arrangements to enable directors to acquire benefits

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interest in shares or debentures

The directors of the Company holding office at the end of the financial year had no interests in the shares and debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act Cap. 50, except as follows:

	Number of ordinary shares Shareholdings registered in the name of directors	
Name of directors	**At 1.1.2018/ date of appointment**	**At 31.12.2018**
Eugene Lee	23,160,000	23,160,000
Suk Young Jung (resigned on 20 January 2019)	3,460,209	3,460,209
Na Kyoungwon	–	1,026,800
Richard Lee	–	1,013,900

The directors' interests in ordinary shares and share options of the Company as at 21 January 2019 were the same as those as at 31 December 2018.

DIRECTORS' STATEMENT

Share options

No option to take up unissued shares of the Company or its subsidiary corporations was granted during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations whether granted before or during the financial year.

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

Audit and Risk Management Committee

The members of the Audit and Risk Management Committee ("**ARMC**") during the year and at the date of this report are:

Anthony Wong (Chairman)
Jessie Ho
Ng Hong Whee

The ARMC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. Their functions are detailed in the Report on Corporate Governance.

In performing its functions, the ARMC met with the Company's independent and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The ARMC also reviewed the following:

(a) review with the independent and internal auditors the audit plans, scope of work, their evaluation of the system of internal accounting controls, their letter to management and the management's response, and results of the audits compiled by the independent and internal auditor;

(b) review the quarterly and annual financial statements and results announcements before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Catalist Rules and any other relevant statutory or regulatory requirements;

(c) review the effectiveness and adequacy of the internal controls and procedures, including accounting and financial controls and procedures, and ensure co-ordination between the independent and internal auditors, and the management, and review the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from audits, and any matters which the auditors may wish to discuss (in the absence of the management, where necessary);

(d) review and report to the Board at least annually the adequacy and effectiveness of the Group's key internal controls with the Chief Operating Officer and Group Financial Controller and the independent and internal auditors, including financial, operational, compliance and information technology controls via review carried out by the internal auditors;

(e) review and discuss with the independent auditor 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;

DIRECTORS' STATEMENT

Audit and Risk Management Committee (cont'd)

(f) review the scope and results of the external audit, and the independence and objectivity of the independent auditor, and to make recommendations to the Board on the proposals to the Shareholders on the appointment or re-appointment of the independent auditor, matters relating to the resignation or dismissal of the auditors, and approving the remuneration and terms of engagement of the independent auditor;

(g) review significant financial reporting issues and judgments with the Chief Financial Officer and the independent auditor so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance before their submission to the Board of Directors;

(h) review the scope, results and cost-effectiveness of internal audit procedures as well as the effectiveness of the Group and the Company's internal audit function;

(i) review and approve transactions (if any) falling within the scope of Chapter 9 and Chapter 10 of the Catalist Rules;

(j) review potential conflicts of interest (if any) and to set out a framework to resolve or mitigate any potential conflicts of interests;

(k) review and approve all hedging policies and instruments (if any) to be implemented by the Group;

(l) undertake such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the ARMC;

(m) review the financial risk areas, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or if the findings are material, to be immediately announced via SGXNET;

(n) review and establish procedures for receipt, retention and treatment of complaints received by the Group regarding among other things, criminal offences involving the Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Group;

(o) review the Group's compliance with such functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time;

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

(q) review whistle blowing policy and arrangements by which the staff may, in confidence, raise concerns about improprieties in matters of financial reporting or other matters, and to ensure that those arrangements are in place for independent investigations of such matters and for appropriate follow-up.

The ARMC is satisfied with the independence and objectivity of the independent auditor and has nominated Baker Tilly TFW LLP for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting.

DIRECTORS' STATEMENT

Independent auditor

The independent auditor, Baker Tilly TFW LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Richard Lee Director	Na Kyoungwon Director

4 April 2019

INDEPENDENT AUDITOR'S REPORT

To the members of Spackman Entertainment Group Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Spackman Entertainment Group Limited (the "Company") and its subsidiaries (the "Group"), as set out on pages 12 to 88, which comprise the balance sheets of the Group and of the Company as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

1. Business combination

On 27 October 2017, the Company completed the acquisition of the entire issued and paid-up share capital of Take Pictures Pte. Ltd. and its subsidiaries ("Take Pictures") for a total consideration of USD2,589,011 comprising of USD433,967 (SGD589,286) settled in cash and USD2,155,044 (SGD2,938,571) satisfied by the issuance of 25,686,816 new ordinary shares of the Company. During the financial year, the Group completed the purchase price allocation ("PPA") arising from the acquisition of Take Pictures and recognised intangible assets and goodwill of USD106,406 and USD1,603,580 respectively.

INDEPENDENT AUDITOR'S REPORT

To the members of Spackman Entertainment Group Limited

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

1. Business combination (cont'd)

On 25 January 2018, the Company completed the acquisition of the entire issued and paid-up share capital of Constellation Agency Pte. Ltd. and its subsidiaries ("Constellation") for a total consideration of USD12,325,782 (SGD16,069,566) satisfied by the issuance of 144,770,861 new ordinary shares of the Company. During the financial year, the Group completed the PPA arising from the acquisition of Constellation and recognised intangible assets of USD838,564, fair value increase to copyrights of USD4,369,228 and goodwill of USD4,300,363.

The Group's disclosure of the business combination accounting applied to the acquisition of Take Pictures and Constellation is set out in Note 2(y) and 15(c) to the financial statements.

We focused on this area because of the quantitative impact of the acquisition on the consolidated financial statements and that the PPA exercise, which involves the fair valuation of the consideration transferred, the identification of the acquired assets and liabilities and their respective fair values, requires the use of significant management judgement and estimate. Management has engaged an external valuation expert to assist them with the PPA exercise for the acquisition of Take Pictures and Constellation.

Our procedures to address the key audit matter

We assessed the competence, objectivity, and capabilities of the external expert engaged by the Group. In reviewing the accounting treatment of the acquisition, we reviewed the key terms in the sale and purchase agreements and financial information of Take Pictures and Constellation to obtain an understanding of the acquisition transactions. Our audit procedures also included assessing the appropriateness of the fair value of the consideration transferred and the identifiable assets acquired and liabilities assumed. We involved our valuation specialist in assessing the valuation methodology and the key estimates used. We also evaluated the appropriateness of the useful life assigned to the identified intangible asset, having regard to the expected use of the asset.

We have assessed the adequacy and appropriateness of the disclosures made in the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the members of Spackman Entertainment Group Limited

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

2. Impairment review of intangible assets

As at 31 December 2018, the carrying amounts of goodwill, customer contracts, customer relationships and copyrights amount to USD11,609,813, USD397,750, USD897,196 and USD5,749,228 respectively.

Goodwill, customer contracts, customer relationships and copyrights with carrying amounts of USD8,554,056, USD397,750, USD897,196 and USD5,569,228 respectively had been allocated to certain cash generating units ("CGUs") as disclosed in Note 11 to the financial statements. Management has performed impairment assessment to determine the value in use of the respective CGUs.

Impairment assessment of goodwill, customer contracts, customer relationships and copyrights is considered to be a key audit matter due to the significance of the assets to the Group's consolidated financial position, and the estimation involved in the determination of the value in use of the CGUs by management. The estimation relates to the forecast revenue and results of the CGUs and the discount rates applied to future cash flow projections as disclosed in Note 2(y) and Note 11 to the financial statements.

Our procedures to address the key audit matter

We assessed the key estimates applied in the value in use calculations by comparing the cash flow projections to historical data, existing contracts and other relevant documents and published industry reports. We also compared current year actual results to prior year forecast where relevant, to assess the reasonableness of the estimates made. We assessed the sensitivity of the key estimates on the impairment assessment, based on reasonably possible changes in the key estimates. We involved our valuation specialists in assessing the valuation methodology and the reasonableness of the terminal growth rates and discount rates used.

We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the members of Spackman Entertainment Group Limited

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

3. Impairment review of investments in subsidiaries and associated companies

As at 31 December 2018, the carrying amount of Company's investment in subsidiaries amounts to USD38,668,039 as disclosed in Note 15 to the financial statements and the Group's and Company's investment in associated companies amount to USD21,686,741 and USD20,243,983 respectively as disclosed in Note 16 to the financial statements. Where there are indicators that the carrying amounts may not be recoverable, management had performed impairment assessments to compute the value in use of the individual subsidiary or associated company. The value in use calculations involve management's assessment of future cash flow projections of the business, and the appropriate terminal growth rates and discount rates applied to the future cash flow projections.

We focus on this area due to the significance of the assets to the Group's and Company's balance sheets as well as the significant estimates and assumptions involved in management's assessment of the value in use.

Our procedures to address the key audit matter

Our procedures included procedures to independently review management's assessment of the existence of impairment indicators for the investments. For investments where indications of impairment were identified, we assessed the key estimates applied in the value in use calculations by comparing the cash flow projections to historical data, existing contracts and other relevant documents, management's strategic plans and expectations of future development of the business and market and publicly available industry and economic data. We also compared current year actual results to prior year forecast where relevant, to assess the reasonableness of the estimates made. We assessed the sensitivity of the key estimates on the impairment assessments, based on reasonably possible changes in the key estimates. We involved our valuation specialists in assessing the valuation methodology and the reasonableness of the terminal growth rate and discount rate used.

We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the members of Spackman Entertainment Group Limited

Report on the Audit of the Financial Statements (cont'd)

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 SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

To the members of Spackman Entertainment Group Limited

Report on the Audit of the Financial Statements (cont'd)

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

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.

INDEPENDENT AUDITOR'S REPORT

To the members of Spackman Entertainment Group Limited

Report on the Audit of the Financial Statements (cont'd)

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Guo Shuqi.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

4 April 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	**2018 USD**	2017 USD
Revenue	3	**21,673,970**	20,552,141
Cost of sales		**(13,903,597)**	(12,277,165)
Gross profit		**7,770,373**	8,274,976
Other income and gains	4a	**639,176**	3,130,273
Interest income	4b	**91,862**	153,809
<u>**Expenses**</u>			
Selling expenses		**(686,074)**	(544,670)
General and administrative expenses		**(8,026,424)**	(6,037,611)
Finance costs	5	**(259,261)**	(100,442)
Other expenses		**(755,969)**	(1,191,685)
Share of results of associated companies		**(173,748)**	26,821
(Loss)/profit before tax	6	**(1,400,065)**	3,711,471
Tax expense	8	**(324,222)**	(698,912)
(Loss)/profit for the year		**(1,724,287)**	3,012,559
Other comprehensive (loss)/income			
Items that are or may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		**(504,266)**	941,481
Currency translation differences reclassified to profit or loss on:			
- Disposal of associated company		–	272
Share of other comprehensive (loss)/income of associated companies		**(231,148)**	232,419
Other comprehensive (loss)/income for the year, net of tax		**(735,414)**	1,174,172
Total comprehensive (loss)/income for the year		**(2,459,701)**	4,186,731
<u>**(Loss)/profit attributable to:**</u>			
Equity holders of the Company		**(2,136,866)**	2,976,022
Non-controlling interests		**412,579**	36,537
(Loss)/profit for the year		**(1,724,287)**	3,012,559
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(2,831,830)**	4,060,519
Non-controlling interests		**372,129**	126,212
		(2,459,701)	4,186,731
(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company (cents per share)			
Basic and diluted	9	**(0.27)**	0.65

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

BALANCE SHEETS

At 31 December 2018

		Group			Company		
			(Restated)	(Restated)		(Restated)	
		31.12.2018	31.12.2017	1.1.2017	**31.12.2018**	31.12.2017	1.1.2017
	Note	**USD**	USD	USD	**USD**	USD	USD
Non-current assets							
Property, plant and equipment	10	**7,227,373**	7,125,312	3,080,207	**43,758**	11,080	11,719
Intangible assets	11	**18,839,756**	5,486,075	936,712	**277**	277	277
Investment in subsidiaries	15	**–**	–	–	**38,668,039**	22,713,822	16,245,427
Investment in associated companies	16	**21,686,741**	9,302,476	3,433,315	**20,243,983**	8,954,824	3,297,670
Film production inventories	12	**1,190,409**	747,502	354,817	**–**	–	–
Deferred tax assets	13	**329,427**	131,420	122,460	**–**	–	–
Available-for-sale financial assets	17	**–**	506,198	–	**–**	459,530	–
Financial assets at fair value through profit or loss	18	**1,272,606**	280,008	–	**459,530**	–	–
Trade and other receivables	19	**783,691**	838,108	–	**–**	–	–
Total non-current assets		**51,330,003**	24,417,099	7,927,511	**59,415,587**	32,139,533	19,555,093
Current assets							
Film production inventories	12	**1,402,084**	819,828	69,475	**–**	–	–
Inventories		**8,573**	6,846	4,575	**–**	–	–
Available-for-sale financial assets	17	**–**	5,532,450	3,383,549	**–**	–	–
Financial assets at fair value through profit or loss	18	**4,596,589**	346,735	1,072,961	**–**	–	–
Loan to subsidiaries	14	**–**	–	–	**1,409,000**	1,179,000	429,050
Trade and other receivables	19	**5,427,292**	8,336,385	3,610,901	**726,144**	544,963	398,738
Contract assets	20	**2,038,131**	398,207	4,129	**–**	–	–
Cash and cash equivalents	21	**2,744,140**	6,236,554	5,936,388	**285,117**	764,137	470,222
Total current assets		**16,216,809**	21,677,005	14,081,978	**2,420,261**	2,488,100	1,298,010
Total assets		**67,546,812**	46,094,104	22,009,489	**61,835,848**	34,627,633	20,853,103
Non-current liabilities							
Borrowings	23	**3,320,884**	2,940,391	1,903,186	**–**	–	–
Other non-current liabilities		**84,346**	73,284	135,775	**–**	–	–
Deferred tax liabilities	13	**1,323,722**	465,748	34,534	**–**	–	–
Contract liabilities	20	**599,231**	–	–	**–**	–	–
Total non-current liabilities		**5,328,183**	3,479,423	2,073,495	**–**	–	–
Current liabilities							
Trade and other payables	22	**2,738,567**	6,047,108	2,157,842	**336,916**	489,905	181,399
Contract liabilities	20	**2,901,308**	3,016,502	3,504,734	**–**	–	–
Film obligations and production loans	24	**440,891**	2,578,626	911,568	**–**	–	–
Borrowings	23	**1,717,072**	1,251,699	–	**1,412,581**	–	–
Tax payable		**292,801**	305,562	153,229	**–**	–	–
Total current liabilities		**8,090,639**	13,199,497	6,727,373	**1,749,497**	489,905	181,399
Total liabilities		**13,418,822**	16,678,920	8,800,868	**1,749,497**	489,905	181,399
Net assets		**54,127,990**	29,415,184	13,208,621	**60,086,351**	34,137,728	20,671,704

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

BALANCE SHEETS

At 31 December 2018

		Group			Company		
			(Restated)	(Restated)		(Restated)	
	Note	**31.12.2018**	31.12.2017	1.1.2017	**31.12.2018**	31.12.2017	1.1.2017
		USD	USD	USD	**USD**	USD	USD
Equity							
Share capital	25	**64,410,807**	37,167,432	25,019,233	**64,410,807**	37,167,432	25,019,233
Treasury shares	25	**(204,909)**	(134,041)	–	**(204,909)**	(134,041)	–
Other reserves	26	**(2,328,960)**	(1,633,996)	(2,724,167)	–	–	–
Accumulated losses		**(8,895,271)**	(6,758,405)	(9,734,427)	**(4,119,547)**	(2,895,663)	(4,347,529)
Equity attributable to equity holders of the Company, total		**52,981,667**	28,640,990	12,560,639	**60,086,351**	34,137,728	20,671,704
Non-controlling interests		**1,146,323**	774,194	647,982	–	–	–
Total equity		**54,127,990**	29,415,184	13,208,621	**60,086,351**	34,137,728	20,671,704

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	← Attributable to equity holders of the Company →						
Group	**Share capital USD**	**Treasury shares USD**	**Other reserves USD**	**Accumulated losses USD**	**Total USD**	**Non-controlling interests USD**	**Total equity USD**
Balance at 1 January 2018 as previously stated	37,461,301	(134,041)	(2,296,227)	(6,096,174)	28,934,859	774,194	29,709,053
Impact on adoption of SFRS(I) 1	–	–	662,231	(662,231)	–	–	–
Prior year adjustments (Note 33)	(293,869)	–	–	–	(293,869)	–	(293,869)
Balance at 1 January 2018 as restated	37,167,432	(134,041)	(1,633,996)	(6,758,405)	28,640,990	774,194	29,415,184
Loss for the year	–	–	–	(2,136,866)	(2,136,866)	412,579	(1,724,287)
Other comprehensive income							
Share of other comprehensive loss of associated companies	–	–	(231,148)	–	(231,148)	–	(231,148)
Currency translation differences on consolidation	–	–	(463,816)	–	(463,816)	(40,450)	(504,266)
Total comprehensive (loss)/income for the year	–	–	(694,964)	(2,136,866)	(2,831,830)	372,129	(2,459,701)
Issue of ordinary shares (Note 25)	27,243,375	–	–	–	27,243,375	–	27,243,375
Purchase of treasury shares (Note 25)	–	(70,868)	–	–	(70,868)	–	(70,868)
Balance at 31 December 2018	**64,410,807**	**(204,909)**	**(2,328,960)**	**(8,895,271)**	**52,981,667**	**1,146,323**	**54,127,990**
Balance at 1 January 2017	25,019,233	–	(3,386,398)	(9,072,196)	12,560,639	647,982	13,208,621
Impact on adoption of SFRS(I) 1	–	–	662,231	(662,231)	–	–	–
Balance at 1 January 2017 as restated	25,019,233	–	(2,724,167)	(9,734,427)	12,560,639	647,982	13,208,621
Profit for the year	–	–	–	2,976,022	2,976,022	36,537	3,012,559
Other comprehensive income							
Share of other comprehensive income of associated companies	–	–	232,419	–	232,419	–	232,419
Currency translation differences on consolidation	–	–	851,806	–	851,806	89,675	941,481
Currency translation differences reclassified to profit or loss on:							
- Disposal of associated company	–	–	272	–	272	–	272
Total comprehensive income for the year	–	–	1,084,497	2,976,022	4,060,519	126,212	4,186,731
Issue of ordinary shares (Note 25)	12,299,597	–	–	–	12,299,597	–	12,299,597
Share issue expenses (Note 25)	(151,398)	–	–	–	(151,398)	–	(151,398)
Purchase of treasury shares (Note 25)	–	(134,041)	–	–	(134,041)	–	(134,041)
Others	–	–	5,674	–	5,674	–	5,674
Balance at 31 December 2017 (Restated)	37,167,432	(134,041)	(1,633,996)	(6,758,405)	28,640,990	774,194	29,415,184

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Share capital USD	Treasury shares USD	Accumulated losses USD	Total, equity USD
Company				
Balance at 1 January 2018, as previously reported	37,461,301	(134,041)	(2,895,663)	34,431,597
Prior year adjustments (Note 33)	(293,869)	–	–	(293,869)
Balance at 1 January 2018, as restated	37,167,432	(134,041)	(2,895,663)	34,137,728
Loss and total comprehensive loss for the year	–	–	(1,223,884)	(1,223,884)
Issue of ordinary shares (Note 25)	27,243,375	–	–	27,243,375
Purchase of treasury shares (Note 25)	–	(70,868)	–	(70,868)
Balance at 31 December 2018	**64,410,807**	**(204,909)**	**(4,119,547)**	**60,086,351**
Balance at 1 January 2017	25,019,233	–	(4,347,529)	20,671,704
Profit and total comprehensive income for the year	–	–	1,451,866	1,451,866
Issue of ordinary shares (Note 25)	12,299,597	–	–	12,299,597
Share issue expenses (Note 25)	(151,398)	–	–	(151,398)
Purchase of treasury shares (Note 25)	–	(134,041)	–	(134,041)
Balance at 31 December 2017 (Restated)	37,167,432	(134,041)	(2,895,663)	34,137,728

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Note	**2018 USD**	2017 USD
Cash flows from operating activities			
(Loss)/profit before tax		**(1,400,065)**	3,711,471
Adjustments for:			
Depreciation of property, plant and equipment	10	**2,015,269**	677,744
Interest income	4b	**(91,862)**	(153,809)
Dividend income	4a	**(11,253)**	–
Interest expenses	5	**259,261**	100,442
Impairment loss on film production inventories	6	**30,651**	17,894
Share of results of associated companies		**173,748**	(26,821)
Gain on disposal of associated company	4a	–	(2,697,253)
Amortisation of intangible assets	11	**576,108**	131,502
Impairment loss on investment in film investment funds	6	**–**	173,393
Impairment loss on intangible assets	6	–	243,049
Fair value loss with respect to financial assets at FVTPL	6	**292,518**	88,430
Fair value gain on investments in mutual funds	4a	**(2,902)**	(15,942)
Allowance for doubtful receivables	6	**569,775**	258,914
Reversal of loss on film borne by external investors	6	**6,785**	370,809
Loss on disposal of property, plant and equipment	6	**227,756**	–
Loss on disposal of investments	6	**–**	14,993
Gain on disposal of short-term investments	4a	**(21,000)**	–
Gain on disposal of film ancillary rights	4a	**(170,882)**	–
Operating profit before working capital changes		**2,453,907**	2,894,816
Change in operating assets and liabilities, net of effects from acquisition of subsidiaries:			
Investment in theatrical film projects, net		**(212,693)**	750,745
Inventories		**(2,046)**	(1,597)
Film production inventories		**(357,668)**	(864,188)
Receivables and contract assets		**1,351,088**	(4,016,702)
Payables and contract liabilities		**(3,291,880)**	(340,434)
Currency translation adjustments		**(152,192)**	(969,602)
Cash used in operations		**(211,484)**	(2,546,962)
Interest received		**91,862**	144,288
Income tax paid		**(496,359)**	(431,859)
Net cash used in operating activities		**(615,981)**	(2,834,533)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Note	2018 USD	2017 USD
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**129,025**	–
Purchases of property, plant and equipment		**(2,317,642)**	(756,111)
Purchases of intangible assets	11	**(43,110)**	(103,301)
Acquisition of a subsidiary, net cash acquired	15c	**474,140**	535,694
Purchases of investments		**(491,906)**	(4,073,093)
Proceeds from disposal of investments		**480,706**	1,081,064
Additional short term loans		**(906,155)**	(2,791,380)
Repayment of short term loans		**701,222**	1,603,159
Dividend received		**11,253**	–
Net cash used in investing activities		**(1,962,467)**	(4,503,968)
Cash flows from financing activities			
Interest paid		**(259,261)**	(100,770)
Repayment of borrowings		**(1,578,889)**	(512,100)
Proceeds from borrowings		**1,200,701**	542,959
Advances received from staff		**418,068**	1,218,256
Repayment of advances received from staff		**(825,508)**	–
Proceeds from film obligations and production loans		**6,480,507**	2,299,176
Repayment of film obligations and production loans		**(6,116,968)**	(450,992)
Proceeds from issuance of shares		–	4,395,427
Share issue expense		–	(151,398)
Purchase of treasury shares		**(70,868)**	(134,041)
Net cash (used in)/from financing activities		**(752,218)**	7,106,517
Net decrease in cash and cash equivalents		**(3,330,666)**	(231,984)
Cash and cash equivalents at beginning of the financial year		**6,236,554**	5,936,388
Effects of exchange rate changes on cash and cash equivalents		**(161,748)**	532,150
Cash and cash equivalents at end of the financial year		**2,744,140**	6,236,554

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

1 Corporate information

Spackman Entertainment Group Limited (the "Company") (Co. Reg. No. 201401201N) is incorporated in Singapore. The registered office of the Company is at 16 Collyer Quay, #17-00, Singapore 049318. The principal place of business of the Company is at 390 Orchard Road, #04-01 Palais Renaissance, Singapore 238871.

The principal activity of the Company is an investment holding company. The principal activities of the subsidiaries are disclosed in Note 15.

2 Summary of significant accounting policies

a) Basis of preparation

The financial statements of the Group are expressed in United States Dollar ("USD"). The financial statements of the Group have been prepared in accordance with the provisions of the Companies Act and Singapore Financial Reporting Standards International ("SFRS(I)") and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied. In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore (FRSs).

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

Use of estimates and judgements

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

The areas involving a higher degree of judgement in applying accounting policies, or areas where assumptions and estimates have a significant risk resulting in material adjustment within the next financial year are disclosed in Note 2(y).

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

a) Basis of preparation (cont'd)

New and revised standards

In December 2017, the Accounting Standards Council ("ASC") issued the Singapore Financial Reporting Standards (International) ("SFRS(I)"). SFRS(I) comprises the standards and interpretations that are identical to the International Financial Reporting Standards. As required by the listing requirements of Singapore Exchange ("SGX"), the Group has adopted SFRS(I) on 1 January 2018. These financial statements for the year ended 31 December 2018 are the first set of financial statements of the Group prepared in accordance with SFRS(I). The Group's previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards ("SFRS").

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 First-time Adoption of SFRS(I). Under SFRS(I), these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

The Group has also presented statement of financial position as at 1 January 2017, which is the date of transition to SFRS(I).

In addition to the adoption of the new framework, the Group also concurrently applied all new and revised SFRS(I) and SFRS(I) Interpretations ("SFRS(I) INT") that are effective for the current financial year. The application of these new and revised SFRS(I) and SFRS(I) INT do not have a material effect on the financial statements, except for SFRS(I) 15 Revenue from Contracts with Customers and SFRS(I) 9 Financial Instruments.

Summary of quantitative impact

The following reconciliations summarise the impacts on initial application of SFRS(I), SFRS(I) 15 and SFRS(I) 9 on the Group's financial position as at 1 January 2017, 31 December 2017 and 1 January 2018. There were no material adjustments to the Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the year ended 31 December 2017 arising on transition to SFRS(I).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

a) Basis of preparation (cont'd)

Consolidated statement of financial position

	Note	31 December 2017 FRS Frame work (As restated per Note 33) USD	SFRS(I) 1 USD	SFRS(I) 15 USD	SFRS(I) frame-work USD	1 January 2018 SFRS(I) 9 USD	SFRS(I) frame-work USD
Non-current assets							
Property, plant and equipment		7,125,312	–	–	7,125,312	–	7,125,312
Intangible assets		5,486,075	–	–	5,486,075	–	5,486,075
Investment in associated companies		9,302,476	–	–	9,302,476	–	9,302,476
Film production inventories		747,502	–	–	747,502	–	747,502
Deferred tax assets		131,420	–	–	131,420	–	131,420
Available-for-sale financial assets	C	506,198	–	–	506,198	(506,198)	–
Financial assets at fair value through profit or loss	C	280,008	–	–	280,008	506,198	786,206
Trade and other receivables		838,108	–	–	838,108	–	838,108
Total non-current assets		24,417,099	–	–	24,417,099	–	24,417,099
Current assets							
Film production inventories		819,828	–	–	819,828	–	819,828
Inventories		6,846	–	–	6,846	–	6,846
Available-for-sale financial assets	C	5,532,450	–	–	5,532,450	(5,532,450)	–
Financial assets at fair value through profit or loss	C	346,735	–	–	346,735	5,532,450	5,879,185
Trade and other receivables	B	8,734,592	–	(398,207)	8,336,385	–	8,336,385
Contract assets	B	–	–	398,207	398,207	–	398,207
Cash and cash equivalents		6,236,554	–	–	6,236,554	–	6,236,554
Total current assets		21,677,005	–	–	21,677,005	–	21,677,005
Total assets		46,094,104	–	–	46,094,104	–	46,094,104
Non-current liabilities							
Borrowings		2,940,391	–	–	2,940,391	–	2,940,391
Other non-current liabilities		73,284	–	–	73,284	–	73,284
Deferred tax liabilities		465,748	–	–	465,748	–	465,748
Total non-current liabilities		3,479,423	–	–	3,479,423	–	3,479,423

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

a) Basis of preparation (cont'd)

Consolidated statement of financial position (cont'd)

		31 December 2017				1 January 2018	
	Note	FRS frame work (As restated per Note 33) USD	SFRS(I) 1 USD	SFRS(I) 15 USD	SFRS(I) frame-work USD	SFRS(I) 9 USD	SFRS(I) frame-work USD
Current liabilities							
Trade and other payables	B	8,382,258	–	(2,335,150)	6,047,108	–	6,047,108
Contract liabilities	B	–	–	3,016,502	3,016,502	–	3,016,502
Film obligations and production loans		2,578,626	–	–	2,578,626	–	2,578,626
Deferred revenue	B	681,352	–	(681,352)	–	–	–
Borrowings		1,251,699	–	–	1,251,699	–	1,251,699
Tax payable		305,562	–	–	305,562	–	305,562
Total current liabilities		13,199,497	–	–	13,199,497	–	13,199,497
Total liabilities		16,678,920	–	–	16,678,920	–	16,678,920
Net assets		29,415,184	–	–	29,415,184	–	29,415,184
Equity							
Share capital		37,167,432	–	–	37,167,432	–	37,167,432
Treasury shares		(134,041)	–	–	(134,041)	–	(134,041)
Other reserves	A	(2,296,227)	662,231	–	(1,633,996)	–	(1,633,996)
Accumulated losses	A	(6,096,174)	(662,231)	–	(6,758,405)	–	(6,758,405)
Equity attributable to equity holders of the Company, total		28,640,990	–	–	28,640,990	–	28,640,990
Non-controlling interests		774,194	–	–	774,194	–	774,194
Total equity		29,415,184	–	–	29,415,184	–	29,415,184

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

a) Basis of preparation (cont'd)

Consolidated statement of financial position (cont'd)

	Note	1 January 2017 SFRS(I) frame-work USD	SFRS(I) 1 USD	SFRS(I) 15 USD	SFRS(I) frame-work USD
Non-current assets					
Property, plant and equipment		3,080,207	–	–	3,080,207
Intangible assets		936,712	–	–	936,712
Investment in associated companies		3,433,315	–	–	3,433,315
Film production inventories		354,817	–	–	354,817
Deferred tax assets		122,460	–	–	122,460
Total non-current assets		7,927,511	–	–	7,927,511
Current assets					
Film production inventories		69,475	–	–	69,475
Inventories		4,575	–	–	4,575
Investments		4,456,510	–	–	4,456,510
Trade and other receivables	B	3,615,030	–	(4,129)	3,610,901
Contract assets	B	–	–	4,129	4,129
Cash and cash equivalents		5,936,388	–	–	5,936,388
Total current assets		14,081,978	–	–	14,081,978
Total assets		22,009,489	–	–	22,009,489
Non-current liabilities					
Borrowings		1,903,186	–	–	1,903,186
Other non-current liabilities		135,775	–	–	135,775
Deferred tax liabilities		34,534	–	–	34,534
Total non-current liabilities		2,073,495	–	–	2,073,495
Current liabilities					
Trade and other payables	B	3,013,379	–	(855,537)	2,157,842
Contract liabilities	B	–	–	3,504,734	3,504,734
Film obligations and production loans		911,568	–	–	911,568
Deferred revenue	B	2,649,197	–	(2,649,197)	–
Tax payable		153,229	–	–	153,229
Total current liabilities		6,727,373	–	–	6,727,373
Total liabilities		8,800,868	–	–	8,800,868
Net assets		13,208,621	–	–	13,208,621

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

a) Basis of preparation (cont'd)

Consolidated statement of financial position (cont'd)

		1 January 2017			
	Note	SFRS(I) frame-work USD	SFRS(I) 1 USD	SFRS(I) 15 USD	SFRS(I) frame-work USD
Equity					
Share capital		25,019,233	–		25,019,233
Other reserves	A	(3,386,398)	662,231		(2,724,167)
Accumulated losses	A	(9,072,196)	(662,231)		(9,734,427)
Equity attributable to equity holders of the Company, total		12,560,639	–		12,560,639
Non-controlling interests		647,982	–		647,982
Total equity		13,208,621	–		13,208,621

A. First time adoption of SFRS(I)

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, subject to certain mandatory exceptions and optional exemptions under SFRS(I) 1. Except as described below, the application of SFRS(I) did not have any significant impact on the financial statements.

Foreign currency translation reserve

The Group elected the optional exemption to reset its cumulative foreign currency translation reserve for all foreign operations to nil at the date of transition on 1 January 2017. As a result, the foreign currency translation reserve of USD662,231, determined in accordance with FRSs as at 1 January 2017, was reclassified to accumulated losses as at 1 January 2017. Subsequent to the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

By electing this optional exemption, the cumulative foreign currency translation reserve decreased by USD662,231 and accumulated losses increased by the same amount as at 31 December 2017.

B. SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 replaces FRS 18 'Revenue', FRS 11 'Construction contracts' and other revenue-related interpretations. It applies to all contracts with customers, except for leases, financial instruments, insurance contracts and certain guarantee contracts and non-monetary exchange contracts. SFRS(I) 15 provides a single, principle-based model to be applied to all contracts with customers. An entity recognises revenue in accordance with the core principle in SFRS(I) 15 by applying a 5-step approach.

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. The entity is required to exercise judgement, taking into consideration all if the relevant facts and circumstances when applying each step of the model; to contracts with their customers. The standard also specifies for accounting for incremental costs of obtaining a contract and the cost directly related to fulfilling a contact.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

a) **Basis of preparation (cont'd)**

B. SFRS(I) 15 Revenue from Contracts with Customers (cont'd)

The Group adopted SFRS(I) 15 using the full retrospective approach.

The impact upon adoption of SFRS(I) 15, including the corresponding tax effects are described below.

Presentation of contract assets and liabilities

Upon adoption of SFRS(I) 15, the Group has reclassified trade and other receivables of USD398,207 as at 31 December 2017 and USD4,129 as at 1 January 2017 as contract assets. The presentation of trade and other payables and deferred revenue of USD2,335,150 and USD681,352 respectively as at 31 December 2017 and of USD855,537 and USD2,649,197 respectively as at 1 January 2017 were reclassified to contract liabilities.

C. SFRS(I) 9 Financial Instruments

SFRS(I) 9 replaces FRS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. It includes guidance on (i) the classification and measurement of financial assets and financial liabilities; (ii) impairment requirements for financial assets; and (iii) general hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on an expected credit loss model and replace FRS 39 incurred loss model.

The Group and the Company applied SFRS(I) 9 using a modified retrospective approach, with date of initial application on 1 January 2018. The Group and the Company have not restated the comparative information, which continues to be reported under FRS 39. Differences arising from the adoption of SFRS(I) 9 have been recognised directly in accumulated losses and other components of equity as at 1 January 2018.

The impact upon adoption of SFRS(I) 9 as at 1 January 2018 was as follows:

(a) Classification and measurement

Under SFRS(I) 9, the Group and the Company classify its financial assets based on entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The assessment of the Group's and the Company's business model was made as of the date of initial application on 1 January 2018. The assessment of whether contractual cash flows on debt instruments solely comprised principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The following are the changes in classification and measurement arising from adopting SFRS(I) 9:

- Loans and receivables (including trade and other receivables (excluding prepayments) and cash and cash equivalents) as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortised cost beginning 1 January 2018;

- Investment in unquoted equity shares classified as AFS financial assets at cost and investment in theatrical projects classified as AFS financial assets as at 31 December 2017 are classified and measured at fair value through profit or loss beginning 1 January 2018.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

a) **Basis of preparation (cont'd)**

(a) Classification and measurement (cont'd)

The following summarises the required or elected reclassifications as at 1 January 2018 upon adoption of SFRS(I) 9:

	Original carrying amount	SFRS(I) 9 measurement category	
Group	**USD**	**FVTPL USD**	**Amortised cost USD**
FRS 39 measurement category			
Loans and receivables			
Trade and other receivables	7,135,701	–	7,135,701
Cash and cash equivalents	6,236,554	–	6,236,554
Available-for-sale financial assets			
- Unquoted equity shares	2,521,244	2,521,244	–
- Investment in theatrical projects	3,517,404	3,517,404	–
Company			
FRS 39 measurement category			
Loans and receivables			
Trade and other receivables	526,122	–	526,122
Loan to subsidiaries	1,179,000	–	1,179,000
Cash and cash equivalents	764,137	–	764,137
Available-for-sale financial assets			
- Unquoted equity shares	459,530	459,530	–

(b) Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets at amortised cost, either on a 12-month or lifetime basis.

At the date of initial application and 31 December 2018, the Group and the Company have assessed that the adoption of SFRS(I) 9 does not have any material impact to the financial position and results of the Group and the Company.

New standards, amendments to standards and interpretations that have been issued at the balance sheet date but are not yet effective for the financial year ended 31 December 2018 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company, except as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

a) Basis of preparation (cont'd)

SFRS(I) 16 Leases

SFRS(I) 16 replaces the existing FRS 17: *Leases*. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets (a "right-of-use" asset) and the associated obligations for lease payments (a lease liability), within limited exemptions for short term leases (less than 12 months) and leases of low value items. In addition, the nature of expenses related to those leases will change as SFRS(I) 16 replaces straight-line operating lease expense with depreciation charge of right-of-use asset and interest expense on lease liability. The accounting for lessors will not change significantly.

The standard is effective for annual periods beginning on or after 1 January 2019. 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 USD1,292,777 (Note 27). Of these commitments, the Group expect to recognise right-of-use assets of approximately USD1,113,000, lease liabilities of approximately USD1,113,000 and deferred tax liability of approximately USD232,000 on 1 January 2019.

The Group plans to adopt the new standard on the required effective date using the modified retrospective approach and recognises any differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 16 at the date of initial application in the opening retained earnings as at 1 January 2019. Right-of-use assets are recognised at an amount equal to the lease liability (adjusted for any prepaid or accrued lease payments) on adoption.

The lessor's accounting under SFRS(I) 16 remains largely unchanged from SFRS 17 and the Group's activities as a lessor are not material and the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required in the financial statements upon adoption of the standard.

b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventories and property, plant and equipment, are eliminated in full.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2(e). In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain from bargain purchase in profit or loss on the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 **Summary of significant accounting policies (cont'd)**

b) **Basis of consolidation (cont'd)**

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of profit or loss and other 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, even if this results in the non-controlling interests having a deficit balance.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition date fair value or, when applicable, on the basis specified in another standard.

c) **Subsidiaries**

Subsidiaries are entities controlled by the Group. 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.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less accumulated impairment losses, if any. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

d) **Associated companies**

An associated company is an entity over which the Group has significant influence but not control or joint control, over the financial and operating policies of the entity. Significant influence is presumed to exist generally when the Group holds 20% or more but not exceeding 50% of the voting power of another entity.

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

Investment in associated companies is 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.

Subsequent to initial recognition, the consolidated financial statements include the Group's share of the post-acquisition profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Distributions received from associated companies are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated companies, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately as income in the Group's profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 **Summary of significant accounting policies (cont'd)**

d) **Associated companies (cont'd)**

Where a group entity transacts with an associate of the Group, unrealised gains are eliminated to the extent of the Group's interest in the relevant associate. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred.

In the Company's financial statements, investment in associated companies is carried at cost less accumulated impairment loss. On disposal of investment in associated companies, the difference between the disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

e) **Goodwill**

Goodwill is initially measured at cost and is subsequently measured at cost less any accumulated impairment losses.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

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

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

The Group's policy for goodwill arising on the acquisition of an associate is described in Note 2(d).

f) **Revenue recognition**

Revenue from production of films where the Group only undertook the role of Producer, and which the Group is acting as an agent

Where the Group is acting as a Producer in a contract for production of motion films, the Group assesses the arrangement for each film to determine whether the Group is acting as an agent or a principal. Where the Group is acting as an agent, the Group recognises revenue based on a pre-agreed production budget and its share of profits from the films. Production of film is recognised as a performance obligation satisfied over time based on the stage of completion of the contract as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Management has assessed that the stage of completion by reference to the actual costs incurred up to the balance sheet date as a proportion of the total estimated costs for each contract is an appropriate measure of progress towards complete satisfaction of the performance obligations under SFRS(I) 15. Revenue in the form of a share of profits constitutes a variable consideration and such revenue is only recognised to the extent that it is highly probable that there will be no significant reversal when the uncertainty is resolved. The Group receives the production budget before the commencement of production activity and therefore a contract liability is recognised at inception of the contract period and the contract liability is recognised as revenue over the period in which the services are performed. The Group will bill customer for its share of profits based on the film's profit or loss statement from the customer and therefore a contract asset is recognised in the period in which the Group determines that it is highly probable that a significant reversal of the estimated share of profits will not occur but the Group has not yet billed the customer. Customers are required to pay within 60 to 90 days from the invoice date. No element of financing is deemed present.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 **Summary of significant accounting policies (cont'd)**

f) **Revenue recognition (cont'd)**

Revenue from distribution of films where the Group acts in three roles, Presenter, Producer and investor, or in dual roles as Presenter and investor, and which the Group is acting as a principal

Revenue from distribution of films is derived from the domestic theatrical release of films licensed to theatrical distributors and the licensing and sale of the films for overseas theatrical release and post-theatrical and other ancillary markets release. At contract inception, the Group assesses the arrangement for each film to determine whether the Group is acting as an agent or a principal. Where the Group is acting as a principal, the Group recognises the entire box office proceeds received from the theatrical distributor as revenue when the films are screened in movie theatres. The Group recognises revenue from the licensing and sale of the film for overseas theatrical release and post-theatrical and other ancillary markets release when the film has been released in the respective markets and the Group has no other performance obligations. The Group bills the customer in accordance with the terms of the contract. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. A contract liability is recognised when the Group has not yet performed under the contract but receives advanced payments from the customer.

Revenue from distribution of films and entertainment materials in post-theatrical markets or other ancillary markets

The Group distributes films and entertainment materials in post-theatrical markets or other ancillary markets such as video-on-demand and internet protocol television. The Group as the licensor, recognises revenue from licensing arrangements when the associated motion film or the television special/series has been released in the post-theatrical markets.

Minimum guaranteed revenue from the licensee are recorded as contract liability and recognised as revenue upon the release of the films. Royalty-based revenues (revenues based upon a specified percentage of net sales of the films) are recognised as revenue as the subsequent sale of the films occur.

Other revenue - talent management

The Group manages a roster of Korean artists and revenue is derived from the artists' participation in events, advertisements, TV dramas, movies and other entertainment content projects. Revenue from the artists' appearance at fan-meeting events or other entertainment content projects is recognised when the services are rendered upon completion of the events and when the Group has no remaining obligation to perform.

Revenue from casting fees from TV dramas, movies and other entertainment content projects are recognised over the contractual period based on the number of days for which the services had been performed as a proportion of the total number of days for the project. Endorsement agreements generally require the artists' appearance in a pre-agreed number of events for the customer. Revenue from the endorsement agreements is recognised at the end of each event and when the Group has no remaining obligation to perform based on the number of events attended by the artists as a proportion of the total number of events to be attended by the artists in accordance with the agreements. A contract asset is recognised when the Group has performed under the contract but has yet to bill the customer. The Group will bill the customer in accordance with the billing terms in the agreement. No element of financing is deemed present.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 **Summary of significant accounting policies (cont'd)**

Other revenue - consulting services

The Group provides consulting services to producers, writers and other stakeholders on areas relating to movie and drama production activities including script writing, artiste casting, set production and other general advisory work. Such services are recognised as a performance obligation satisfied over time. Revenue is recognised for these services based on the stage of completion of the contract. The stage of completion is measured by reference to the contract costs incurred to the balance sheet date as a percentage of the total estimated costs for each contract. A contract asset is recognised when the Group has performed under the contract but has yet to bill the customer. The Group will bill the customer in accordance with the billing terms in the agreement. No element of financing is deemed present.

Other revenue - sale of content

The Group develops entertainment content projects which include scripts, screenplays and other content materials. Revenue is recognised upon the transfer of all rights, title and interest related to the content projects produced by the Group to the customer and at the point in time. The Group will bill the customer in accordance with the billing terms in the agreement. No element of financing is deemed present.

Participation revenue

When the Group is not the principal investor, but participates in the financing of film production in which the Group may also acquire all, a portion or none of the legal copyright in relation to the film, and bears a portion of the costs of financing, production, prints, promotion and advertising pursuant to the terms of the agreement for the production of the film, the Group is entitled to receive a certain percentage of the net profit of the film. The Group recognise the profits based on its portion of share.

The Group records its share of profits of the film as revenue when it receives the film's profit or loss statement.

Other income

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

Rental income from operating leases of equipment is recognised on a straight-line basis over the lease term.

Revenue from restaurant sales is recognised when food and beverages products are sold to the customers.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 **Summary of significant accounting policies (cont'd)**

g) **Property, plant and equipment**

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

The cost 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.

Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised.

On disposal of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

Depreciation

No depreciation is provided on freehold land. Depreciation for other items of property, plant and equipment is calculated on a straight line basis to write off the depreciable amounts of the property, plant and equipment over their estimated useful lives. The estimated useful lives are as follows:

	Years
Building	40
Equipment	5 to 10
Motor vehicles	5
Leasehold improvements	5

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 assets are retained in the financial statements until they are no longer in use.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

h) Intangible assets

Acquired libraries comprised distribution rights and films in development acquired by the Group and are charged to cost of sales when the film is released. Acquired libraries are reviewed for impairment at each balance sheet date on a title-by-title basis.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Direct expenditure, which enhances or extends the performance of computer software beyond its original specifications and which can be reliably measured, is recognised as a capital improvement and added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

Acquired computer software licences are stated at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised using the straight-line method over their estimated useful life of 5 years.

Content development costs are recognised as an intangible asset when the Group can demonstrate the feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during development. These costs are not amortised as they are currently under development.

Customer relationships and customer contracts are recognised at fair value at the acquisition date. Their value can be measured reliably on initial recognition and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group. These costs are amortised using the straight-line method over their estimated useful life of 1 to 7 years.

Copyrights relates to pictorial assets of a Korean artist acquired by the Group, recognised at fair value upon the acquisition of a subsidiary. Copyright is amortised using the expected sales forecast method, where the costs are amortised in the proportion that current year's revenue bears to an estimate of the ultimate revenue expected to be recognised from the exploitation and sales of the pictorial assets.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

i) **Film production inventories**

Film production inventories include costs incurred for films under production which are presented by the Group, unamortised costs of completed films which have been presented by the Group and films in development.

For films presented by the Group, capitalised costs include direct production costs, production overheads and development costs. The costs are amortised using the individual-film-forecast method, whereby these costs are amortised in the proportion that current year's revenue bears to management's estimate of ultimate revenue expected to be recognised from the exploitation, exhibition or sale of the films. Films presented by the Group are stated at the lower of amortised cost or estimated fair value.

Films in development include costs of acquiring film rights to books, stage plays or original screenplays and costs to adapt such projects. Such costs are capitalised and, upon commencement of production, are transferred to production costs. Projects in development are written off at the earlier of the date they are determined not to be recoverable or when abandoned, or written off over a period of four years, commencing from four years from the date of the initial investment.

j) **Impairment of non-financial assets excluding goodwill**

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

k) **Leases**

(1) When a Group entity is the lessee:

Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between reduction of the outstanding liability and finance charges. The corresponding lease liabilities, net of finance charges, are included in borrowings. The finance charge is taken to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The asset acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases

Leases where a significant portion of the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to profit or loss on a straight-line basis over the period of the lease. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(2) When a Group entity is the lessor:

Operating leases

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

Contingent rents are recognised as revenue in the period in which they are earned.

l) **Income taxes**

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity in which the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively).

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable or recoverable in respect of previous years.

Deferred income tax is provided using the liability method, on all temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where 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 at the time of the transaction, affects neither the accounting nor taxable profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

l) **Income taxes (cont'd)**

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the balance sheet date.

m) **Financial assets**

The accounting policy for financial assets before 1 January 2018 are as follows:

Classification

The Group classifies its financial assets according to the nature of the assets and purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale.

Financial assets, at fair value through profit or loss

This category has two sub-categories: "financial assets held for trading", and those designated upon initial recognition at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at initial recognition are those that are managed and their performance are evaluated on a fair value basis, in accordance with a documented Group's investment strategy. Derivatives are also categorised as "held for trading" unless they are designated as effective hedging instruments. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

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 included in current assets, except those maturing later than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are presented as "trade and other receivables" (excluding prepayments), "loan to subsidiaries" and "cash and cash equivalents" on the balance sheet.

Financial assets, available-for-sale

Financial assets, available-for-sale include equity securities that are non-derivatives and are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

m) **Financial assets (cont'd)**

The accounting policy for financial assets before 1 January 2018 are as follows (cont'd):

Recognition and derecognition

Regular 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 net sale proceeds and its carrying amount is taken to profit or loss.

Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction cost for financial assets at fair value through profit or loss are recognised as expenses.

Subsequent measurement

Financial assets, both available-for-sale and at fair value through profit or loss are subsequently carried at fair value. Available-for-sale investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measurable, are measured at cost less impairment loss. Loans and receivables are carried at amortised cost using the effective interest method, less impairment.

Gains or losses arising from changes in fair value of financial assets at fair value through profit or loss, including effects of currency translation, are recognised in profit or loss in the financial year in which the changes in fair values arise.

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.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account, and the amount of the loss is recognised in profit or loss. The allowance amount is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. 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.

If in subsequent periods, the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversed date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

m) **Financial assets (cont'd)**

The accounting policy for financial assets before 1 January 2018 are as follows (cont'd):

Financial assets, available-for-sale

In the case of an equity security classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the security is impaired. When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that was recognised directly in the fair value reserve is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised.

For available-for-sale financial assets carried at cost, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of impairment loss is recognised in profit or loss and such losses are not reversed in subsequent periods.

The accounting policy for financial assets from 1 January 2018 onwards are as follows:

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.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to acquisition if financial assets at fair value through profit or loss are recognised immediately in profit or loss. Trade receivables without a significant financing component is initially measured at transaction prices.

Classification and measurement

All financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The Group classifies its financial assets in the following measurement categories:
- Amortised cost; and
- Fair value through profit or loss ("FVTPL").

The classification is based on the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets.

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income ("FVOCI"), it needs to give rise to cash flows that are cost or fair value through other comprehensive income it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrumental level.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

m) Financial assets (cont'd)

The accounting policy for financial assets from 1 January 2018 onwards are as follows (cont'd):

Subsequent measurement

i) Debt instruments

Debt instruments include trade and other receivables (excluding prepayments), loans to subsidiaries and cash and cash equivalents. The subsequent measurement category is depending on the Group's business model for managing the asset and cash flow characteristics of the asset:

Amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Interest income from these financial assets is included in interest income using the EIR method.

ii) Equity instruments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVTPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "Other income and gains". On disposal of an equity investment classified as FVTPL, the difference between the carrying amount and sales proceed amount would be recognised in profit or loss. Dividends from equity investments are recognised in profit or loss and presented in "Other income and gains".

iii) Investments in theatrical projects

Investments in theatrical projects do not meet the criteria for classification as amortised cost or FVOCI are classified as FVTPL. Movements in fair values investments in theatrical projects are recognised in profit or loss in the period in which it arises and presented in "Other income and gains".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

m) Financial assets (cont'd)

<u>The accounting policy for financial assets from 1 January 2018 onwards are as follows (cont'd):</u>

Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for financial assets carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

If the Group has measured the loss allowance for a financial asset at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in income or expenditure for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

Offset

Financial assets and liabilities are offset and the net amount presented on the balance sheet when, and only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

n) Cash and cash equivalents

For the purposes of presentation in the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand, deposits and money market funds placed with financial institutions which are subject to an insignificant risk of change in value and excludes pledged deposits.

o) Financial liabilities

Financial liabilities include trade and other payables, film obligations and production loans and borrowings. Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. Financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

p) Film obligations and production loans

Film obligations and production loans ("FOPL") represent funds received from third parties for the financing of production and marketing expenditures that are associated with specific film titles that the Group presents. In accordance with the financing agreement, FOPLs are not guaranteed on principals by the Group. The third party funders ("investors") are entitled to a pre-agreed specified percentage of the proceeds from the exploitation, exhibition or sale of the specific film title ("box office proceeds") associated with the financing provided.

Where the Group acts as Presenter but not the Producer of the film titles, financing received from the third party funders are advanced to the Producer of the film. These advances to the producers are classified as "Advance payments" in trade and other receivables.

Upon the screening of the specific film titles associated with the financing, the investors' entitled share of the box office proceeds will be payable to the investors and deducted against the FOPLs. If the share of box office proceeds payable to the investors is higher than the equivalent FOPLs, the film made a profit and the proportionate profit to be repaid to the investors is recognised as "profit on film distributable to external investors" in other expense. Where the share of box office proceeds payable to the investors is lesser than the equivalent FOPLs, the film made a loss and the proportionate loss to be deducted against the FOPLs is recognised as "loss on film borne by external investors" in other income.

Where the Group acts as Producer but not the Presenter of the film titles, financing received from the third party funders are advanced to the Presenter of the film. These advances are classified as "investments in theatrical projects" in financial assets at fair value through profit or loss. The third party funders' share of box office proceeds received/receivable from the Presenter is paid/payable to the third party funders. The transaction has no impact to the Group's profit or loss. The amount of investment in theatrical projects made from funds received from third party funders as at the balance sheet date is disclosed in Note 18.

q) Provisions for other liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle that obligation and that the amount can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

r) Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

s) Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury shares reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented in non-distributable capital reserve.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

t) **Borrowing costs**

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in profit or loss using the effective interest method.

u) **Employee benefits**

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities, and will have no legal or constructive obligation to pay further contributions once the contributions have been paid. The Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

Employee leave entitlements

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 the balance sheet date.

v) **Foreign currencies**

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 that entity operates (the "functional currency"). The financial statements of the Group and the Company are presented in United States dollar ("USD"), which is the Company's functional currency.

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for currency translation differences on net investment in foreign operations and borrowings and other currency instruments qualifying as net investment hedges for foreign operations, which are included in the currency transaction reserve within equity in the consolidated financial statements. The currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

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.

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 Group's presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing rates at the date of the balance sheet;
(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the 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
(iii) All resulting exchange differences are recognised in the currency translation reserve within equity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

v) **Foreign currencies (cont'd)**

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

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

On disposal of a foreign group entity, the cumulative amount of the currency translation reserve relating to that particular foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

w) **Government grants**

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

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

x) **Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

y) **Critical accounting judgements and key sources of estimation uncertainty**

In the process of applying the Group's accounting policies, which are described in Note 2 above, management has made the following judgements and estimates that have the most significant effect on the amounts recognised in the financial statements or that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Acquisitions of subsidiaries and associated companies

The initial accounting on acquisition of subsidiaries and associated company involve the fair valuation of the consideration transferred, the identification of the acquired assets and liabilities and their respective fair values. The fair value measurement of the consideration transferred, and the assets and liabilities identified during the acquisition of subsidiaries are determined by independent valuer and management by reference to comparable market prices or present value of expected net cash flows from the assets. Any changes in the assumptions used and estimates made in determining the fair values will impact the carrying amount of the assets and liabilities identified and goodwill and investment in associated companies as recorded in the consolidated financial statements and investments in subsidiaries and associated companies in the Company's balance sheet. During the financial year, the Group acquired two subsidiaries and increased its investment in an associated company as disclosed in Notes 15 and 16.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

y) **Critical accounting judgements and key sources of estimation uncertainty (cont'd)**

Impairment of intangible assets

Goodwill are tested for impairment annually and whenever there is indication that goodwill may be impaired. Other intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. The recoverable amounts of the cash generating units which goodwill and other intangible assets have been allocated to are determined based on the value in use prepared on the basis of management's assumptions and estimates. Any changes in the assumptions used and estimates made will impact the impairment assessment of the intangible assets. The key assumptions and estimates applied in the determination of the value in use including a sensitivity analysis, and the carrying amount of intangible assets are disclosed and further explained in Note 11.

Impairment of investments in subsidiaries and associated companies

The Group assesses at each balance sheet date whether there are any indicators of impairment for investments in subsidiaries and associated companies. Investments in subsidiaries and associated companies are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying amount of the investment exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

When value in use calculations are undertaken, management is required to estimate the expected future cash flows from the business and a suitable terminal growth rate and discount rate, in order to determine the present value of those cash flows. The carrying amount of investments in subsidiaries and associated companies are disclosed in Notes 15 and 16 respectively.

Investment in associated company

Management has considered the Group's representation in the board of Spackman Media Group Limited ("SMGL"), the Memorandum and Articles of Association of SMGL, contractual terms in the shareholders agreement and the contractual arrangements among the shareholders and has determined that it has significant influence on and not control over SMGL even though the Group's shareholding is 43.88%. Consequently, this investment has been classified as an associated company.

Estimation of variable consideration in revenue recognition

Where the Group is the Producer of film, it is entitled to a share of profits from the film. Where the Group has yet to receive the profit or loss statement of the film and management has assessed that it is highly probable that there will be no significant reversal when the uncertainty is resolved, the Group estimates the amount of consideration to which the Group will be entitled to and recognises the variable consideration as revenue and contract asset. In making these estimates, the Group relied on the film's number of ticket sales released by the Korean Film Council and the past experience and knowledge of the production team. The carrying amount of contract assets is disclosed in Note 20.

Fair value estimation of unquoted equity investments

The Group holds unquoted equity investments amounting to USD459,530. The Group has used discounted cash flow method for valuing certain of these financial assets and made estimates about expected future cash flows and suitable discount rate to determine fair values of the unquoted equity investments. Changes in assumptions about these factors could affect the varying values of these financial assets. The discount rate used and carrying values of the unquoted equity investments at the balance sheet date are disclosed in Note 18.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3 Revenue

The following table provides a disaggregation disclosure of the Group's revenue by major sources of revenue and timing of revenue recognition.

	Group	
	2018	2017
	USD	USD
Distribution of films	**6,412,540**	4,548,513
Production of films	**8,786,666**	12,857,715
Leasing of equipment	**4,144,127**	2,253,668
Others		
- Consulting services	**636,152**	–
- Talent appearance and management	**558,322**	–
- Sale of content	**291,392**	–
- Others	**844,771**	892,245
	21,673,970	20,552,141

The primary geographical market of the Group's revenues is from the Republic of Korea.

	Group	
	2018	2017
	USD	USD
Timing of revenue recognition		
At a point in time	**1,519,476**	2,646,594
Over time	**20,154,494**	17,905,547
	21,673,970	20,552,141

The Group applies the practical expedient in SFRS(I) 15 and does not disclose information about its remaining performance obligation if:

- The performance obligation is part of a contract that has an original expected duration of one year or less; or
- The Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, and it recognises revenue in that amount.

4a Other income and gains

	Group	
	2018	2017
	USD	USD
Fair value gain on investment in mutual funds	**2,902**	15,942
Foreign exchange gain	**75,796**	181,584
Gain on disposal of advance payments	**170,882**	–
Gain on disposal of short-term investments	**21,000**	–
Rental income		
- Related party	**41,444**	38,202
Government grants	**4,977**	–
Dividend income	**11,253**	–
Gain on disposal of associated company	**–**	2,697,253
Others	**310,922**	197,292
	639,176	3,130,273

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

4b Interest income

	Group	
	2018	2017
	USD	USD
Interest income		
- Fixed deposits	**–**	3,288
- Loan to related party	**11,321**	64,478
- Loan to third parties	**68,175**	68,534
- Money market funds	**12,366**	17,509
	91,862	153,809

5 Finance costs

	Group	
	2018	2017
	USD	USD
Interest expenses		
- Bank loans	**188,243**	64,782
- Finance leases	**71,018**	35,660
	259,261	100,442

6 (Loss)/profit before tax

	Group	
	2018	2017
	USD	USD
(Loss)/profit before tax is arrived at after charging/(crediting):		
Allowance for impairment for receivables (Note 28b)	**569,775**	258,914
Amortisation of intangible assets (Note 11)	**576,108**	131,502
Audit fees paid/payable to		
- Auditor of the Company	**82,450**	59,821
- Other auditors of the Group*	**69,385**	97,669
Fees for non-audit services paid/payable to		
- Auditor of the Company	**–**	–
- Other auditors of the Group	**–**	24,037
Depreciation of property, plant and equipment (Note 10)	**2,015,269**	677,744
Fair value loss with respect to financial assets at FVTPL	**292,518**	88,430
Impairment loss on investment in film investment funds	**–**	173,393
Impairment loss on intangible assets	**–**	243,049
Loss on disposal of property, plant and equipment	**227,756**	–
Personnel expenses (Note 7)	**2,897,622**	2,365,778
Rental expense	**1,233,847**	1,103,529
Travelling expenses	**246,521**	183,839
Impairment loss on film production inventories (Note 12)	**30,651**	17,894
Reversal of loss on film borne by external investors	**6,785**	370,809
Foreign exchange loss	**121,047**	167,812

* Includes independent member firms of the Baker Tilly International network.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

7 Personnel expenses

	Group	
	2018	2017
	USD	USD
Key management personnel		
- Salaries, bonus and other benefits	**1,043,013**	955,694
- Defined contribution benefits	**38,823**	35,127
	1,081,836	990,821
Other personnel		
- Salaries and bonus	**1,344,882**	1,066,759
- Defined contribution benefits	**90,700**	88,475
- Other short-term benefits	**380,204**	219,723
	1,815,786	1,374,957
	2,897,622	2,365,778

8 Tax expense

	Group	
	2018	2017
	USD	USD
Tax expense attributable to (loss)/profit is made up of:		
Current income tax provision	**455,319**	462,598
Deferred tax (Note 13)	**(196,217)**	198,836
	259,102	661,434
Under provision in respect of previous financial year		
- current income tax	**65,120**	37,478
	324,222	698,912

The income tax expense on the results of the financial year differs from the amount of income tax determined by applying the domestic statutory income tax rates applicable to the countries where the Group operates due to the following factors:

	Group	
	2018	2017
	USD	USD
(Loss)/profit before tax	**(1,400,065)**	3,711,471
Tax at domestic rates applicable to (loss)/profit in countries where the Group operate	**(129,754)**	819,104
Expenses not deductible for tax purposes	**44,663**	344,978
Income not subject to tax	**(115,619)**	(559,040)
Deferred tax assets not recognised for the year	**423,812**	120,230
Under provision in prior year	**65,120**	37,478
Others	**36,000**	(63,838)
	324,222	698,912

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

8 Tax expense (cont'd)

The above tax reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

The statutory income tax rate applicable to the Company is 17% (2017: 17%).

Pursuant to the relevant laws and regulations in Korea, the major subsidiaries of the Group incorporated in Korea are required to pay Korea corporate income tax at a rate of 22% (2017: 22%).

9 (Loss)/earnings per share

The calculation of the basic and diluted (loss)/earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2018 USD	2017 USD
Net (loss)/profit for the year attributable to equity holders of the Company	**(2,136,866)**	2,976,022
Weighted average number of ordinary shares for basic (loss)/earnings per share	**790,637,355**	458,267,290

10 Property, plant and equipment

	Land USD	Building USD	Equipment USD	Motor vehicles USD	Leasehold improvements USD	Construction in progress USD	Total USD
Group							
2018							
Cost							
At 1.1.2018	414,197	2,902,155	4,329,217	28,929	666,448	–	8,340,946
Additions	–	–	2,345,297	53,675	391,240	25,448	2,815,660
Acquisition of subsidiaries	–	–	611	–	–	–	611
Disposal	–	–	(329,595)	(33,159)	–	–	(362,754)
Currency translation differences	(17,300)	(121,215)	(216,211)	(1,535)	(26,184)	(406)	(382,851)
At 31.12.2018	**396,897**	**2,780,940**	**6,129,319**	**47,910**	**1,031,504**	**25,042**	**10,411,612**
Accumulated depreciation							
At 1.1.2018	–	151,119	574,379	5,540	484,596	–	1,215,634
Depreciation charge	–	70,648	1,792,608	29,912	122,101	–	2,015,269
Disposal	–	–	(1,552)	(4,421)	–	–	(5,973)
Currency translation differences	–	(7,437)	(18,841)	(126)	(14,287)	–	(40,691)
At 31.12.2018	–	**214,330**	**2,346,594**	**30,905**	**592,410**	–	**3,184,239**
Net carrying value							
At 31.12.2018	**396,897**	**2,566,610**	**3,782,725**	**17,005**	**439,094**	**25,042**	**7,227,373**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

10 Property, plant and equipment (cont'd)

	Land USD	Building USD	Equipment USD	Motor vehicles USD	Leasehold improvements USD	Total USD
Group						
2017						
Cost						
At 1.1.2017	367,208	2,572,916	79,714	–	516,192	3,536,030
Additions	–	–	1,479,865	–	60,407	1,540,272
Acquisition of subsidiaries	–	–	2,559,714	27,771	41,215	2,628,700
Currency translation differences	46,989	329,239	209,924	1,158	48,634	635,944
At 31.12.2017	414,197	2,902,155	4,329,217	28,929	666,448	8,340,946
Accumulated depreciation						
At 1.1.2017	–	69,653	7,152	–	379,018	455,823
Depreciation charge	–	68,740	528,439	5,286	75,279	677,744
Currency translation differences	–	12,726	38,788	254	30,299	82,067
At 31.12.2017	–	151,119	574,379	5,540	484,596	1,215,634
Net carrying value						
At 31.12.2017	414,197	2,751,036	3,754,838	23,389	181,852	7,125,312

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

10 Property, plant and equipment (cont'd)

	Equipment USD	Leasehold improvements USD	Total USD
Company			
2018			
Cost			
At 1.1.2018	18,180	4,090	22,270
Additions	10,995	33,869	44,864
At 31.12.2018	**29,175**	**37,959**	**67,134**
Accumulated depreciation			
At 1.1.2018	7,682	3,508	11,190
Depreciation charge	5,017	7,169	12,186
At 31.12.2018	**12,699**	**10,677**	**23,376**
Net carrying value			
At 31.12.2018	**16,476**	**27,282**	**43,758**
2017			
Cost			
At 1.1.2017	14,233	4,090	18,323
Additions	3,947	–	3,947
At 31.12.2017	18,180	4,090	22,270
Accumulated depreciation			
At 1.1.2017	4,452	2,152	6,604
Depreciation charge	3,230	1,356	4,586
At 31.12.2017	7,682	3,508	11,190
Net carrying value			
At 31.12.2017	10,498	582	11,080

(a) At the balance sheet date, the net carrying values of property, plant and equipment of the Group acquired under finance lease agreements amounted to USD788,796 (2017: USD1,036,107). Additions include USD498,018 (2017: USD784,161) of property, plant and equipment acquired under finance lease (Note 23).

(b) Bank borrowings are secured on the land and building of the Group with a net carrying value of USD2,963,507 (2017: USD3,165,233) (Note 23).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11 Intangible assets

	Acquired libraries USD	Software USD	Goodwill USD	Content development USD	Customer contracts USD	Customer relationships USD	Copyright USD	Total USD
Group								
2018								
Cost								
At 1.1.2018	79,302	180,662	4,310,855	–	106,406	973,034	–	5,650,259
Acquisition of subsidiaries	–	8,005	7,325,799	–	633,560	205,004	5,749,228	13,921,596
Additions	18,177	24,933	–	–	–	–	–	43,110
Currency translation differences	(2,441)	(7,692)	(26,841)	–	–	–	–	(36,974)
At 31.12.2018	**95,038**	**205,908**	**11,609,813**	**–**	**739,966**	**1,178,038**	**5,749,228**	**19,577,991**
Accumulated amortisation								
At 1.1.2018	27,766	32,164	–	–	–	104,254	–	164,184
Amortisation charge	–	57,304	–	–	342,216	176,588	–	576,108
Currency translation differences	–	(2,057)	–	–	–	–	–	(2,057)
At 31.12.2018	**27,766**	**87,411**	–	**–**	**342,216**	**280,842**	–	**738,235**
Net carrying value								
At 31.12.2018	**67,272**	**118,497**	**11,609,813**	**–**	**397,750**	**897,196**	**5,749,228**	**18,839,756**
2017								
Cost								
At 1.1.2017	27,766	5,922	727,303	206,867	–	–	–	967,858
Acquisition of subsidiaries	–	167,250	3,596,889	–	–	973,034	–	4,737,173
Restatement (Note 34)	–	–	(106,406)	–	106,406	–	–	–
Additions	48,828	–	–	54,473	–	–	–	103,301
Written-off	–	–	–	(275,547)	–	–	–	(275,547)
Currency translation differences	2,708	7,490	93,069	14,207	–	–	–	117,474
At 31.12.2017	79,302	180,662	4,310,855	–	106,406	973,034	–	5,650,259
Accumulated amortisation								
At 1.1.2017	27,766	3,380	–	–	–	–	–	31,146
Amortisation charge	–	27,248	–	–	–	104,254	–	131,502
Currency translation differences	–	1,536	–	–	–	–	–	1,536
At 31.12.2017	27,766	32,164	–	–	–	104,254	–	164,184
Net carrying value								
At 31.12.2017	51,536	148,498	4,310,855	–	106,406	868,780	–	5,486,075

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11 Intangible assets (cont'd)

	Software USD
Company	
Cost	
At 1.1.2017, 31.12.2017 and 31.12.2018	277
Accumulated amortisation	
Amortisation charge and at 1.1.2017, 31.12.2017 and 31.12.2018	–
Net carrying value	
At 31.12.2017 and 31.12.2018	**277**

Amortisation expense is included in general and administrative expenses of profit or loss.

Provisional goodwill of the acquisition of Greenlight Content Limited ("Greenlight")

The details of the acquisition of Greenlight on 8 November 2018 are disclosed in Note 15(c). Upon the completion of acquisition of Greenlight, a provisional goodwill amounting to USD2,692,156 was recognised during the financial year. The provisional goodwill represents an excess on the cost of the acquisition over the estimated fair value of the net identifiable assets of Greenlight at date of the acquisition.

The Group has appointed an independent valuer to perform a review of the purchase price allocation ("PPA") including the provisional goodwill. As at the date of these financial statements, the PPA review for the provisional goodwill is still ongoing.

Goodwill arising from this acquisition will be adjusted accordingly on a retrospective basis when the valuation is finalised.

Impairment test of goodwill

Provisional goodwill acquired through acquisition of Greenlight has not been allocated to any cash generating unit ("CGU"). There is no impairment testing on this provisional goodwill performed.

Other goodwill and intangible assets acquired through business combination have been allocated to the individual CGUs, for impairment testing as follows:

	Constellation	Novus		Frame		Take Pictures	
							(Restated)
	2018	**2018**	2017	**2018**	2017	**2018**	2017
	USD	**USD**	USD	**USD**	USD	**USD**	USD
Goodwill	**4,300,363**	**786,107**	820,372	**1,864,006**	1,864,006	**1,603,580**	1,603,580
Intangible assets :							
- customer relationships	**167,420**	**–**	–	**729,776**	868,780	**–**	–
- customer contracts	**397,750**	**–**	–	**–**	–	**–**	106,406
- copyrights	**5,569,228**	**–**	–	**–**	–	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11 Intangible assets (cont'd)

Key assumptions used in value-in-use calculation

The recoverable amount of the CGUs is determined based on value-in-use calculations derived from the most recent financial budgets approved by management covering a three to five-year period. The key assumptions for the value-in-use calculations are those regarding discount rate, growth rate and gross margin as follows:

	Constellation	Novus		Frame		Take Pictures
	2018	**2018**	2017	**2018**	2017	**2018**
	%	**%**	%	**%**	%	**%**
Gross margin	**61**	**31**	9 to 11	**31**	37 to 40	**25**
Growth rate	**1**	**1**	2	**1**	0	**2**
Discount rate	**14**	**16**	16	**16**	17	**13**

(1) Budgeted gross margin.
(2) Growth rate used to extrapolate cash flows beyond the budgeted period.
(3) Pre-tax discount rate applied to cash flow projections.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The gross margin is based on past performance and management's expectations of market development.

Sensitivity to changes in assumptions

With regards to the assessment of value in use of Constellation, Frame, Take Pictures and Novus CGU, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying values of the CGUs to materially exceed its recoverable amount.

12 Film production inventories

	Group	
	2018	2017
	USD	USD
Cost		
Balance at beginning of the financial year	**2,136,015**	911,718
Acquisition of subsidiaries	**759,457**	198,400
Additions	**357,669**	864,188
Disposal	**(529,227)**	–
Currency translation differences	**(77,128)**	161,709
Balance at end of the financial year	**2,646,786**	2,136,015
Accumulated impairment losses		
Balance at beginning of the financial year	**568,685**	487,426
Impairment loss	**30,651**	17,894
Disposal	**(529,227)**	–
Currency translation differences	**(15,816)**	63,365
Balance at end of the financial year	**54,293**	568,685
Net carrying value		
Balance at end of the financial year	**2,592,493**	1,567,330
Representing:		
Current	**1,402,084**	819,828
Non-current	**1,190,409**	747,502
	2,592,493	1,567,330

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

13 Deferred tax assets/(liabilities)

The movement in the deferred income tax assets/(liabilities) are as follows:

	Group	
	2018	2017
	USD	USD
Balance at beginning of the financial year	**(334,328)**	87,926
Acquisition of subsidiaries	**(860,536)**	(222,930)
Tax (charged)/credited to		
- statement of profit or loss (Note 8)	**196,217**	(198,836)
- other comprehensive income	**(93,846)**	(22,935)
Currency translation differences	**98,198**	22,447
Balance at end of the financial year	**(994,295)**	(334,328)
Representing:		
Deferred tax assets	**329,427**	131,420
Deferred tax liabilities	**(1,323,722)**	(465,748)
	(994,295)	(334,328)

The deferred income tax assets/(liabilities) on temporary differences recognised in the financial statements in respect of tax effects arising from:

	Group	
	2018	2017
	USD	USD
Tax losses	**214,410**	193,490
Differences in depreciation for tax purposes	**(344,952)**	(265,016)
Differences in amortisation for tax purposes	**(957,823)**	(191,132)
Other (taxable)/deductible temporary differences	**94,070**	(71,670)
	(994,295)	(334,328)

At the balance sheet date, the Group has unutilised tax losses of USD6,985,000 (2017: USD4,077,000) that are available for carry forward to offset against future taxable income subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. Deferred tax assets have been recognised in respect of USD974,600 (2017: USD880,000) of such losses. No deferred tax assets has been recognised in respect of the remaining USD6,010,400 (2017: USD3,197,000) losses as it is not probable that future taxable profits will be sufficient to allow the related tax benefits to be realised. Unutilised tax losses are available for carry forward up to 10 years from the year of loss to offset against future taxable income of the subsidiaries.

At balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which tax liabilities have not been recognised is USD1,226,000 (2017 : USD933,000). No liability has been recognized in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the forseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

14 Loan to subsidiaries

The amounts due from subsidiaries are non-trade in nature, bear interest at 2.00% (2017: 2.00% - 4.60%) per annum, unsecured and repayable on demand.

15 Investment in subsidiaries

	Company	
		(Restated)
	2018	2017
	USD	USD
Unquoted equity shares, at cost		
Balance at beginning of financial year	**22,713,822**	16,245,427
Acquisitions during financial year	**15,954,217**	6,468,395
Balance at end of financial year	**38,668,039**	22,713,822

a) Details of subsidiaries are as follows:

Name of subsidiary	Place of incorporation	Principal business	Proportion of ownership interest 2018 %	2017 %
Held by the Company				
Spackman Entertainment Group (HK) Limited ("SEG HK")(1)	Hong Kong	Investment holding company.	**100.00**	100.00
Frame Pictures Co., Ltd(2)	Korea	Leasing of movie/drama equipment.	**100.00**	100.00
Held by the Company				
Constellation Agency Pte. Ltd. ("Constellation")(3)	Singapore	Involved in the business of overseas agency for Korean artists venturing into the overseas market.	**100.00**	–
Greenlight Content Limited ("Greenlight")(4)	Cayman Islands	Involved in the business of investing into dramas and movies, as well as providing consulting services for the production of Korean content.	**100.00**	–
Take Pictures Pte.Ltd. ("Take")(3)	Singapore	Web portals, development of other software and programming activities.	**100.00**	100.00
Noon Pictures Co., Ltd ("Noon")(2)	Korea	Professional photography services.	**60.24**	60.24
Novus Mediacorp Co., Ltd ("Novus")(2)	Korea	Development, production, importation and exportation, investment, distribution and promotion of motion pictures.	**51.00**	51.00

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

15 Investment in subsidiaries (cont'd)

a) Details of subsidiaries are as follows (cont'd):

Name of subsidiary	Place of incorporation	Principal business	Proportion of ownership interest	
			2018	2017
Held by SEG HK				
Spackman Equities Limited ("SEL")[(1)]	Hong Kong	Investment holding company.	**100.00**	100.00
Zip Cinema Co., Ltd ("Zip")[(1)]	Korea	Planning, production and distribution of films, television ("TV") dramas and performances. Business of advertisement and advertising agent. Management and promotional activities for local and overseas entertainers, athletes, artists, etc. Development, production and distribution of games and animations. Production and sale of goods related to entertainment. Development of mobile content and online services. Agency of promotion and advertising, event and human resource services for films, TV dramas, music videos and commercials. Sales and lease of real property.	**100.00**	100.00
Spackman Entertainment Korea Inc. ("SEKI")[(1)]	Korea	Production, finance, and distribution of films. Production and sale of music albums and recording tapes. Consulting and services related to the above-mentioned business activities.	**100.00**	100.00
Held by SEKI				
Upper West Inc. ("Upper West")[(1)]	Korea	Restaurant business, franchise and service business, processing and sale of food.	**94.38**	94.38
Held by Take				
Studio Take Co., Ltd.[(2)]	Korea	Planning, production and distribution of films, television ("TV") dramas and performances.	**100.00**	100.00

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

15 Investment in subsidiaries (cont'd)

a) Details of subsidiaries are as follows (cont'd):

Name of subsidiary	Place of incorporation	Principal business	Proportion of ownership interest	
			2018 %	2017 %
Held by Constellation				
The P Factory Co., Ltd. ("P Factory")[4]	Korea	Production of advertising projects (commercial advertising).	**100.00**	–
Platform Media Group Co Ltd ("Platform")[4]	Korea	Management of artiste event sales, from movies and drama.	**100.00**	–
Held by Greenlight				
Greenlight Content Co., Ltd. ("Greenlight Content")[4]	Korea	Provision of consulting services for the production of Korean content.	**100.00**	–

(1) Audited by independent overseas member firms of Baker Tilly International for the purpose of preparation of the Group's consolidated financial statements

(2) Audited by Nexia Samduk, Korea

(3) Audited by CK Assurance, Singapore

(4) Audited by Seongun Accounting, Korea

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

15 Investment in subsidiaries (cont'd)

b) Summarised financial information of subsidiaries with material non-controlling interests ("NCI")

The Group has the following subsidiary that has NCI that is considered by management to be material to the Group:

Name of subsidiary	Principal place of business/Country of incorporation	Ownership interests held by NCI	
		2018	2017
		%	%
Novus	Korea	**49.00**	49.00

The following are the summarised financial information of the Group's subsidiary with NCI that is considered by management to be material to the Group. These financial information include consolidation adjustments but before inter-company eliminations.

	Novus	
	2018	2017
	USD	USD
Summarised Balance Sheets		
Non-current assets	**363,938**	1,846
Current assets	**4,087,418**	5,836,937
Non-current liabilities	**(84,346)**	(207,616)
Current liabilities	**(1,787,342)**	(3,886,150)
Net assets	**2,579,668**	1,745,017
Net assets attributable to NCI	**1,264,038**	855,058
Summarised Income Statements		
Revenue	**6,384,273**	4,468,576
Profit before tax	**1,318,897**	257,339
Income tax expense	**(396,680)**	(127,844)
Profit after tax	**922,217**	129,495
Other comprehensive income	–	–
Total comprehensive income	**922,217**	129,495
Profit allocated to NCI	**451,886**	63,453
Summarised Cash Flows		
Operating cash flows	**391,948**	(104,371)
Investing cash flows	**(352,925)**	660,138
Financing cash flows	**113,915**	(1,068,088)
Net increase/(decrease) in cash and cash equivalents	**152,938**	(512,321)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

15 Investment in subsidiaries (cont'd)

c) Acquisition of subsidiaries

Acquisition of Take Pictures Pte. Ltd.

On 27 October 2017, the Company acquired 100% of the issued share capital of Take Pictures Pte. Ltd. and its subsidiaries ("Take Pictures") for USD2,589,011. The Group has acquired Take Pictures in order to expand the Group's annual movie production capacity.

i) Acquisition-date consideration transferred

	Group (Restated) 2017 USD
Cash paid	**433,967**
Non-cash consideration	**2,155,044**
Total consideration transferred	**2,589,011**

ii) Estimated fair values of identifiable assets and liabilities of subsidiary at acquisition date

	Group (Restated) 2017 USD
Property, plant and equipment	**2,754**
Intangible assets	**129,303**
Trade and other receivables	**8,285**
Film production inventories	**198,400**
Cash and cash equivalents	**1,726,522**
Trade and other payables	**(1,079,833)**
Total identifiable net assets at estimated fair value	**985,431**
Goodwill arising from acquisition (Note 11)	**1,603,580**
Total consideration transferred	**2,589,011**

iii) Effect on cash flows of the Group

	Group (Restated) 2017 USD
Total consideration for 100% equity interest acquired	**2,589,011**
Less: Non-cash consideration (2)	**(2,155,044)**
Consideration settled in cash	**433,967**
Less: Cash and cash equivalents of subsidiary acquired	**(1,726,522)**
Net cash inflow on acquisition	**1,292,555**

(2) The fair value of the 25,686,816 new ordinary shares was based on the listed share price of the Company on 26 October 2017 of SGD0.114 (equivalent to USD0.08) per share, representing the volume weighted average price for the share on that date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

15 Investment in subsidiaries (cont'd)

c) Acquisition of subsidiaries

Acquisition of Constellation Agency Pte. Ltd.

On 25 January 2018, the Company acquired 100% of the issued share capital of Constellation Agency Pte. Ltd. and its subsidiaries ("Constellation") for USD12,325,782 (SGD16,069,566). The Group has acquired Constellation in order to leverage on talent management platform to participate in content and also to invest in companies that can financially and strategically complement the Group's existing core operations. The acquisition of Constellation will help the Group develop a more consistent and stable revenue and further diversify its business.

i) Acquisition-date consideration transferred

	Group 2018 USD
Non-cash consideration	**12,325,782**
Total consideration transferred	**12,325,782**

ii) Fair values of identifiable assets and liabilities of subsidiary at acquisition date

	Group 2018 USD
Property, plant and equipment	**611**
Intangible assets	**6,415,796**
Investment	**1,500,000**
Film production inventories	**759,457**
Trade and other receivables	**221,461**
Cash and cash equivalents	**427,161**
Trade and other payables	**(438,531)**
Deferred tax liabilities	**(860,536)**
Net identifiable assets acquired	**8,025,419**
Goodwill (Note 11)	**4,300,363**
Total consideration transferred	**12,325,782**

iii) Effect on cash flows of the Group

	Group 2018 USD
Total consideration for 100% equity interest acquired	**12,325,782**
Less: Non-cash consideration [1]	**(12,325,782)**
Consideration settled in cash	–
Less: Cash and cash equivalents of subsidiary acquired	**(427,161)**
Net cash inflow on acquisition	**427,161**

[1] The non-cash consideration for the acquisition was determined in the form of 144,770,861 new ordinary shares of the Company of SGD0.111 (equivalent to USD0.085) per share, representing the volume weighted average price ("VWAP') for each share on 25 January 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

15 Investment in subsidiaries (cont'd)

c) Acquisition of subsidiaries (cont'd)

Acquisition of Constellation (cont'd)

iv) Goodwill

The acquired subsidiary is involved in the talent management business and production of commercial theatrical film. The goodwill of USD4,300,363 is attributable to significant synergies expected to arise to the Group after the acquisition.

v) Revenue and profit contribution

The acquired subsidiary contributed revenues of USD1,186,789 and net profit of USD294,127 to the Group for the period from 26 January 2018 to 31 December 2018.

Acquisition of Greenlight Content Limited

On 8 November 2018, the Company acquired 100% of the issued share capital of Greenlight Content Limited and its subsidiaries ("Greenlight") for USD3,628,435. The Group has acquired Greenlight in order to reinforce the Group's foothold into the Korean drama sector and raise the utilisation rate of Spackman Media Group Limited to participate in the highest quality entertainment content project.

i) Acquisition-date consideration transferred

	Group 2018 USD
Non-cash consideration	**3,628,434**
Total consideration transferred	**3,628,434**

ii) Estimated fair values of identifiable assets and liabilities of subsidiary at acquisition date

	Group 2018 USD
Intangible assets	**513,281**
Investment	**1,690,572**
Cash and cash equivalents	**46,979**
Trade and other payables	**(420,594)**
Borrowings	**(893,959)**
Total identifiable net assets at estimated fair value	**936,279**
Provisional goodwill arising from acquisition (Note 11)	**2,692,156**
Total consideration transferred	**3,628,435**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

15 Investment in subsidiaries (cont'd)

c) Acquisition of subsidiaries (cont'd)

Acquisition of Greenlight (cont'd)

iii) Effect on cash flows of the Group

	Group 2018 USD
Total consideration for 100% equity interest acquired	**3,628,435**
Less: Non-cash consideration [2]	**(3,628,435)**
Consideration settled in cash	–
Less: Cash and cash equivalents of subsidiary acquired	**(46,979)**
Net cash inflow on acquisition	**46,979**

[2] The fair value of the 150,000,000 new ordinary shares of the Company issued based on the listed volume weighted average price of SGD0.0332 (equivalent to USD0.0242) for each share on 8 November 2018.

iv) Revenue and profit contribution

The acquired subsidiary contributed revenues of USD389,952 and net profit of USD397,041 to the Group for the period from 8 November 2018 to 31 December 2018. If the acquisition had occurred on 1 January 2018, the Group revenue would have been USD22,864,018 and total loss would have been USD1,197,962.

d) Company level – impairment review of investment in subsidiaries

i) Constellation

During the financial year, the management performed the impairment test for the investment in Constellation. The assessment by management did not result in an impairment charge to cost of investment in Constellation as at 31 December 2018, as the estimated recoverable amount of the investment in Constellation exceeded its carrying amount.

The recoverable amount of the investment in Constellation has been determined based on a value in use calculation using cash flow projections from forecasts approved by management covering a four-year period and applying a terminal growth rate of 1% and pre-tax discount rate of 14%. The forecasted revenue included Constellation's share of profits from the exploitation of the copyrights to pictorial assets of a Korean artist as disclosed in Notes 2(h) and 11. The share of profits is forecasted based on the expected sales of the photobook to be published from the pictorial assets which is the most sensitive input to the value in use calculation. Management had forecasted sales of 2 million copies of the photobook and this forecasted number of copies of the photobook sold is determined by considering the actual sales of the artist's photobook previously published and management's assessment of future trends and developments in the market.

If the forecasted revenue from sales of photobook had been 25% lower than management's estimate, the Company would have to recognise impairment on cost of investment in Constellation of approximately USD685,000.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

15 Investment in subsidiaries (cont'd)

d) Company level – impairment review of investment in subsidiaries (cont'd)

ii) SEGHK

During the financial year, the management performed the impairment test for the investment in SEGHK. The assessment by management did not result in an impairment charge to cost of investment in SEGHK as at 31 December 2018, as the estimated recoverable amount of the investment in SEGHK exceeded its carrying amount.

The recoverable amount of the investment in SEGHK has been determined based on a value in use calculation using cash flow projections from forecasts of SEGHK and its subsidiaries ("SEGHK group") approved by management covering a four-year period and applying a terminal growth rate of 1.94% pre-tax discount rate of 16.5%. The forecasted revenue includes SEGHK group's share of profits from the films as producer which is estimated based on the number of ticket sales for each forecasted film production. The forecasted number of ticket sales is determined by considering the estimated production budget, historical box office performance of films by genre released in 2018 in Korea, historical box office performance of films produced by the Group and the knowledge and experience of the production team.

A 2% decrease in forecasted number of ticket sales for each film will result in the Company recognising an impairment loss of approximately USD406,000.

16 Investment in associated companies

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

	Group	
	2018	2017
	USD	USD
Carrying amount:		
Spackman Media Group Limited ("SMGL")	**21,485,541**	9,072,223
The Makers Studio Co., Ltd. ("The Makers")	**201,200**	230,253
	21,686,741	9,302,476

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

16 Investment in associated companies (cont'd)

The following information relates to associated companies of the Group:

Name of Company	Principal place of business/Country of incorporation	Principal activity	Ownership interest held	
			2018 %	2017 %
Held by Company				
Unquoted equity shares				
Spackman Media Group Limited ("SMGL")*	Hong Kong	Investment holding company	**43.88**	29.12
The Makers Studio Co., Ltd ("The Makers")**	Korea	Planning, production and distribution of films, television ("TV") dramas and performance	**20.00**	20.00

* Audited by Nexia Hong Kong
** Audited by Nexia Samduk, Korea

These associated companies are measured using the equity method.

On 25 January 2018, the Company has completed the share swap with certain existing shareholders of SMGL for 920,000 ordinary shares of SMGL, in exchange for 32,432,432 new ordinary shares of the Company of SGD0.111 (US$0.085) per share, representing the volume weighted average price ("VWAP") of the share on that date. Following the completion of the share swap, the Company owns approximately 32.13% in SMGL.

On 25 January 2018, the Company acquired 100% equity interest in Constellation which holds 500,000 shares in SMGL. Following the completion of the acquisition of Constellation, the Company owns an approximately 33.76% effective interest in SMGL.

On 6 June 2018, the Company has completed the share swap with certain existing shareholders of SMGL for 2,300,000 ordinary shares of SMGL, in exchange for 101,607,865 new ordinary shares of the Company of SGD0.062 (US$0.047) per share, representing the VWAP of the share on that date. Following the completion of the share swap, the Company owns approximately 41.28% in SMGL.

On 4 September 2018, the Company has completed share swap with certain existing shareholders of SMGL for 1,345,288 ordinary shares of SMGL, in exchange for 94,634,034 new ordinary shares of the Company of SGD0.058 (US$0.040) per share, representing the VWAP of the share on that date. Following the completion of the share swap and as at the balance sheet date, the Company owns approximately 43.88% in SMGL.

SMGL is an investment holding company incorporated in Hong Kong. The subsidiaries of SMGL are engaged in the talent management business in Korea. The activities of the associated company are strategic to the Group activities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

16 Investment in associated companies (cont'd)

Summarised financial information for SMGL based on its SFRS(I) financial statements (not adjusted for the Group's share of those amounts) and a reconciliation to the carrying amounts of the investments in the consolidated financial statements are as follows:

	2018 **USD**	2017 USD
Revenue	**26,583,285**	23,818,412
(Loss)/profit after tax	**(372,522)**	187,018
Other comprehensive loss	**(12,738)**	(38,208)
Total comprehensive (loss) / income	**(385,260)**	148,810
Non-current assets	**10,623,927**	8,183,940
Current assets	**16,881,891**	14,871,047
Non-current liabilities	**(15,196)**	(46,497)
Current liabilities	**(11,955,346)**	(10,333,338)
Net assets	**15,535,276**	12,675,152
Non-controlling interest	**(315,039)**	(295,226)
Net assets attributable to equity holders	**15,220,237**	12,379,926
Group's share of net assets attributable to equity holders based on proportion of ownership interest	**6,679,214**	3,604,771
Goodwill on acquisition	**14,806,327**	5,467,452
Carrying amount of investment	**21,485,541**	9,072,223

17 Available-for-sale financial assets

	Group		**Company**	
	2018 USD	2017 USD	**2018 USD**	2017 USD
Non-current				
Long-term investment, at cost	–	506,198	–	459,530
Current				
Investment in theatrical projects, at fair value	–	3,517,404	–	–
Short-term investments, at cost	–	2,015,046	–	–
	–	5,532,450	–	–
	–	6,038,648	–	459,530

Investments, at fair value (short term and long term) consists of investments in film investment funds and unquoted equity shares that are available for sale. Film investment funds relate to private equity funds that focus on investment in Korean movies and Korean music group. Unquoted equity shares represent interest in companies in Korea and Singapore which are engaged in entertainment, skin care, food and beverage related activities. These investments are carried at cost as the fair value of these short-term investments cannot be measured reliably. The fair value of investment in theatrical projects was determined based on the estimated future cash flows from the investment and is classified within Level 3 of the fair value hierarchy (Note 29).

In the previous financial year, the Group recognised the following impairment losses:

- Impairment loss of USD173,393 for investment in film investment funds to bring the carrying amount to the estimated recoverable amount from the investment.
- Full impairment amounting to USD88,430 was made for one theatrical project as the amounts invested in the project is not expected to be recoverable.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

18 Financial assets at fair value through profit or loss

	Group		Company	
	2018 USD	2017 USD	**2018 USD**	2017 USD
Non-current				
Financial assets measured at FVTPL				
Unquoted equity investments in Singapore	**459,530**	–	**459,530**	–
Investment in film funds	**491,906**	–	**–**	–
Investment in insurance products	**321,170**	280,008	**–**	–
	1,272,606	280,008	**459,530**	–
Current				
Financial assets measured at FVTPL				
Investment in film funds	**1,386,500**	–	**–**	–
Investment in theatrical projects	**2,884,212**	–	**–**	–
Investment in insurance products	**325,877**	346,735	**–**	–
	4,596,589	346,735	**–**	–
	5,869,195	626,743	**459,530**	–

(a) Unquoted equity shares represents the Group's and Company's interest in two companies in Singapore which are engaged in skincare and food and beverage related activities.

The fair value of unquoted equity shares of one investee company is determined based on recent transacted prices of the investee company's equity as well as internal or external changes in the business and market environment that the investee operates in. The fair value measurement is categorised in Level 3 of the fair value hierarchy (Note 29).

The fair value of unquoted equity shares of the other investee company is determined using income approach based on discounted cash flow method and a discount rate of 10.2%. This fair value measurement is categorised in Level 3 of the fair value hierarchy (Note 29).

(b) Investment in film funds represents the Group's interest in private equity funds that focus on investments in the entertainment industry in Korea. The Group expects to earn returns on the investment by way of distribution of dividends. Management has assessed that the cost of the investment is an appropriate estimate of its fair value as there is a wide range of possible fair value measurements in view of the nature of the film fund and the investments made by these film funds, and cost represents the best estimate of fair value within that range. Management has considered that there is presently insufficient information available to reliably measure fair value. Management has also assessed there are no relevant factors that might indicate that cost is not representative of fair value and considered that there is no significant change in the performance and potential performance of the film funds or economic environment in which the investee operates since the initial recognition of the investment.

(c) Investment in theatrical projects represents the Group's financing of production and marketing expenditure that are associated with specific film titles. The fair value of investment in theatrical projects is determined based on the stage of production of the underlying films. As the related films are in the early stages of production as at the balance sheet date, the fair value of the investments approximate the cost of the investments. The fair value measurement is categorised in Level 3 of the fair value hierarchy (Note 29).

As at 31 December 2018, investment in theatrical projects of US$83,141 (2017: US$2,053,388) were made from funds received from third party funders.

(d) The fair value of the investment in insurance products is determined by reference to the funds statements as at the balance sheet date provided by the respective investment managers. These are classified within Level 2 of the fair value hierarchy (Note 29).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

19 Trade and other receivables

	Group		Company	
	2018	2017	**2018**	2017
	USD	USD	**USD**	USD
Non-current				
Deposits	**783,691**	838,108	**–**	–
Current				
Trade receivables				
- Third parties	**1,087,480**	3,161,037	**12,202**	12,542
- Related parties	**4,005**	2,731	**–**	–
	1,091,485	3,163,768	**–**	–
Less: Allowance for doubtful receivables	**(619,616)**	(66,336)	**–**	–
	471,869	3,097,432	**12,202**	12,542
Short-term loans				
- Directors	**518,737**	201,509	**–**	–
- Related party	**509,987**	1,000,000	**–**	–
- Third parties	**714,806**	334,231	**–**	–
	1,743,530	1,535,740	**–**	–
Less: Allowance for doubtful receivables	**(244,250)**	(254,896)	**–**	–
	1,499,280	1,280,844	**–**	–
Other receivables				
- Subsidiary	**–**	–	**163,369**	143,746
- Associated company	**365,009**	300,741	**360,455**	302,630
- Third parties	**136,272**	693,799	**–**	–
	501,281	994,540	**523,824**	446,376
Less: Allowance for doubtful receivables	**(82,640)**	(86,242)	**–**	–
	418,641	908,298	**523,824**	446,376
Accrued income	**145,490**	184,331	**62,871**	–
Less: Allowance for doubtful receivables	**(24,471)**	(20,682)	**–**	–
	121,019	163,649	**62,871**	–
Advance payments	**1,121,627**	1,352,170	**43,926**	–
Prepayments	**928,508**	686,622	**16,063**	18,841
Tax recoverable	**73**	–	–	–
Deposits	**866,275**	847,370	**67,258**	67,204
	2,916,483	2,886,162	**127,247**	86,045
	5,427,292	8,336,385	**726,144**	544,963

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

19 Trade and other receivables (cont'd)

The short-term loans to directors and third parties are unsecured, repayable on demand and interests are payable at 6.90% (2017: 4.60% to 6.90%) and between 3.00% to 6.90% (2017: 4.60% to 36%) per annum respectively.

The short-term loan to related party is unsecured, repayable on demand and interests are payable at 6.00% per annum.

Other receivables are non-trade in nature, interest free and repayable on demand.

Included in deposits was an amount of USD17,887 and USD18,667 for the years ended 31 December 2018 and 2017 respectively which had been pledged to banks as collateral for corporate credit cards.

20 Contract assets and contract liabilities

The Group receives payments from customers based on billing terms as established in contracts. Contract assets relate to the Group's right to consideration for work completed but not billed at the reporting date on the Group's revenues from the production of films where the Group undertakes the role of a Producer. Contract liabilities relate to advance consideration received from customers. Contract liabilities are recognised as revenue as (or when) the Group satisfies the performance obligations under its contracts.

The following table provides information about contract assets and contract liabilities from contracts with customers.

	Group	
	2018	2017
	USD	USD
Contract assets	**2,038,131**	398,207
Contract liabilities (non-current)	**599,231**	–
Contract liabilities (current)	**2,901,308**	3,016,502

Significant changes in the contract assets and the contract liabilities during the financial year are as follows:

	Group			
	Contract assets		**Contract liabilities**	
	2018	2017	**2018**	2017
	USD	USD	**USD**	USD
Revenue recognised that was included in the contract liability balance at the beginning of the year	**–**	–	**(2,506,760)**	(2,629,998)
Increases due to advances received, excluding amounts recognised as revenue during the year	**–**	–	**3,076,881**	2,072,537
Contract asset reclassified to trade receivables	**398,207**	4,129	**–**	–

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

21 Cash and cash equivalents

	Group		Company	
	2018	2017	**2018**	2017
	USD	USD	**USD**	USD
Bank and cash balances	**2,522,350**	4,893,340	**285,117**	764,137
Money market funds	**221,790**	1,343,214	**–**	–
	2,744,140	6,236,554	**285,117**	764,137

22 Trade and other payables

	Group		Company	
	2018	2017	**2018**	2017
	USD	USD	**USD**	USD
Trade payables				
- Staff	**–**	12,386	**–**	–
- Third parties	**818,060**	4,007,918	**–**	–
- Related parties	**–**	49,003	**–**	–
Accrued operating expenses	**807,466**	269,002	**132,262**	157,087
Allowance for unutilised leave	**–**	46,801	**–**	–
Other payables				
- Subsidiary	**–**	–	**204,654**	332,818
- Third parties	**275,840**	334,844	**–**	–
- Related parties	**85,142**	79,730	**–**	–
- Staff	**681,513**	1,218,256	**–**	–
Advances received from				
- Third parties	**70,546**	29,168	**–**	–
	2,738,567	6,047,108	**336,916**	489,905

Other payables to related parties and subsidiary are non-trade in nature, interest free and repayable on demand.

Other payables to staff is non-trade in nature, bears interest at 4.6% (2017: Nil%) and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

23 Borrowings

	Repayment period	Group 2018 USD	Group 2017 USD	Company 2018 USD	Company 2017 USD
Non-current					
Third-parties:					
Term loan I - average 6-months interest rate of bond insurance by banks in Korea	2019 - 2023	**1,569,530**	1,932,052	–	–
Term loan II - 1.50%	2019 - 2020	**987,192**	186,672	–	–
Finance lease liabilities	2019 - 2020	**764,162**	821,667	–	–
		3,320,884	2,940,391	–	–
Current					
Third-parties:					
Term loan I - average 6-months interest rate of bond insurance by banks in Korea	2018	–	214,672	–	–
Term loan II - 1.50%	2018	–	93,335	–	–
Term loan III - 5.14%	2018	–	186,672	–	–
Term loan IV - 4.09%	2018	–	106,403	–	–
Term loan - 2.54%	2019	**411,412**	–	–	–
Term loan - 3.58%	2019	**352,384**	–	–	–
Third parties - 3.00%	2019	**400,000**	–	–	–
Finance lease liabilities	2019	**513,276**	650,617	–	–
Related parties:					
Associate - 2.00%	2019	**40,000**	–	**40,000**	–
Subsidiaries - 2.00%	2019	–	–	**916,415**	–
Subsidiaries - 2.00%	Repayable on demand	–	–	**456,166**	–
		1,717,072	1,251,699	**1,412,581**	–
Total borrowings		**5,037,956**	4,192,090	**1,412,581**	–

(a) The loans are secured by guarantees from Korea Credit Guarantee Fund and Korea Technology Finance Corporation, a mortgage of the land and building of the Group (Note 10) and a personal guarantee by a subsidiary's chief executive officer.

(b) The fair values of the loans determined from discounted cash flow analysis using the market lending rates that the directors expect would be available to the Group at balance sheet date are reasonable approximation of their carrying amounts as they are fixed rate borrowings with no significant changes in the market lending interest rates available to the Group at the balance sheet date and floating rate instruments that are repriced to market interest rates on or near the balance sheet date. The fair value measurement for disclosure purposes is categorised as Level 3 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

23 Borrowings (cont'd)

(c) Financial lease liabilities

	Group			
	2018		2017	
	Minimum lease payments USD	**Present value USD**	Minimum lease payments USD	Present value USD
Not later than one financial year	**551,780**	**513,276**	700,099	650,617
Later than one financial year but not later than five financial years	**784,670**	**764,162**	853,949	821,667
Total minimum lease payments	**1,336,450**		1,554,048	
Less: Future finance charges	**(59,012)**		(81,764)	
Present value of finance lease liabilities	**1,277,438**	**1,277,438**	1,472,284	1,472,284

Representing finance lease liabilities:		
Current	**513,276**	650,617
Non-current	**764,162**	821,667
	1,277,438	1,472,284
Effective interest rates	**3.3% to 4.5%**	3.3% to 4.5%

The net book values of property, plant and equipment acquired under finance lease agreements are disclosed in Note 10.

Based on the discounted cash flow analysis using market interest rates for similar finance lease agreements at the balance sheet date, the fair values of finance lease liabilities at the balance sheet date approximate their carrying amounts as the market interest rate at the balance sheet date is close to the effective interest rate of the Group's existing finance lease liabilities. This fair value measurement for disclosures purpose is categorised in Level 3 of the fair value hierarchy.

(d) Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Bank loans and others USD	**Finance lease liabilities USD**	**Total USD**
Balance at 1 January 2018	2,719,806	1,472,284	4,192,090
Acquisition of subsidiaries	893,959	–	893,959
Changes from financing cash flows:			
- Proceeds	1,200,701	–	1,200,701
- Repayments	(945,361)	(633,528)	(1,578,889)
- Interest paid	(188,243)	(71,018)	(259,261)
Non-cash changes:			
- Interest expense	188,243	71,018	259,261
- New finance lease	–	498,018	498,018
Effect of changes in foreign exchange rates	(73,259)	(59,336)	(132,595)
Balance at 31 December 2018	**3,795,846**	**1,277,438**	**5,073,284**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

23 Borrowings (cont'd)

(d) Reconciliation of movements of liabilities to cash flows arising from financing activities (cont'd):

	Bank loans and others USD	Finance lease liabilities USD	Total USD
Balance at 1 January 2017	1,903,186	–	1,903,186
Acquisition of subsidiaries	89,598	1,050,980	1,140,578
Changes from financing cash flows:			
- Proceeds	542,959	–	542,959
- Repayments	(87,936)	(424,164)	(512,100)
- Interest paid	(65,110)	(35,660)	(100,770)
Non-cash changes:			
- Interest expense	64,782	35,660	100,442
- New finance lease	–	784,161	784,161
Effect of changes in foreign exchange rates	272,327	61,307	333,634
Balance at 31 December 2017	2,719,806	1,472,284	4,192,090

24 Film obligations and production loans

	Group	
	2018 USD	2017 USD
Third parties	**440,891**	2,578,626

25 Share capital and treasury shares

	No. of ordinary shares		Amount	
	Issued share capital	Treasury shares	Share capital USD	Treasury shares USD
2018				
Beginning of financial year	517,169,516	(1,699,100)	37,167,432	(134,041)
Purchase of treasury shares	–	(1,750,000)	–	(70,868)
Shares issued	523,445,192	–	27,243,375	–
End of financial year	**1,040,614,708**	**(3,449,100)**	**64,410,807**	**(204,909)**
2017 (Restated)				
Beginning of financial year	398,770,209	–	25,019,233	–
Purchase of treasury shares	–	(1,699,100)	–	(134,041)
Shares issued	118,399,307	–	12,299,597	–
Share issue expenses	–	–	(151,398)	–
End of financial year	517,169,516	(1,699,100)	37,167,432	(134,041)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

25 Share capital and treasury shares (cont'd)

All issued shares are fully paid ordinary shares with no par value.

The Company had on 25 January 2018 issued and allotted 32,432,432 new ordinary shares of the Company for USD 2,761,294 in relation to the acquisition of an additional 3.01% equity interest in Spackman Media Group Limited ("SMGL")

The Company had on 25 January 2018 issued and allotted 144,770,861 new ordinary shares of the Company for USD 12,325,782 in relation to the acquisition of 100% equity interest in Constellation Agency Pte. Ltd.

The Company had on 6 June 2018 issued and allotted 101,607,865 new ordinary shares of the Company for USD4,759,379 in relation to the acquisition of an additional 7.52% equity interest in SMGL.

The Company had on 4 September 2018 issued and allotted 94,634,034 new ordinary shares of the Company for USD 3,768,486 in relation to the acquisition of an additional 4.23% equity interest in SMGL.

The Company had on 8 November 2018 issued and allotted 150,000,000 new ordinary shares of the Company for USD3,628,435 in relation to the acquisition of 100% equity interest in Greenlight Content Limited ("Greenlight").

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares rank equally in regard to the Company's residual assets. All ordinary shares carry one vote per share without restrictions.

Treasury shares

The Company acquired 1,750,000 (2017: 1,699,100) shares in the Company in the open market during the financial year. The total amount paid to acquire the shares was USD70,868 (2017: USD134,041) and this was presented as a component within shareholders' equity.

26 Other reserves

	Group	
	2018	2017 (Restated)
	USD	USD
Merger reserve	**(2,724,167)**	(2,724,167)
Currency translation reserve	**395,207**	1,090,171
	(2,328,960)	(1,633,996)

Merger reserve represents the difference between the consideration paid by the Company and the share capital of the subsidiaries acquired under common control.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

27 Lease commitments

Where the Group is a lessee

The Group leases various office premises, motor vehicles from non-related parties under non-cancellable operating lease agreements. The leases have an average tenure of between two to three years (2017: two to three years), varying terms, escalation clauses and renewal options. No restrictions are imposed on dividends or further leasing.

Commitments in relation to non-cancellable operating leases contracted for at the balance sheet date, but not recognised as liabilities, are as follows:

	Group	
	2018	2017
	USD	USD
Not later than one financial year	**1,054,801**	485,799
Between two and five years	**237,976**	269,527
	1,292,777	755,326

Where the Group is a lessor

The Group leases out camera and lighting equipment and office premise space to non-related parties under non-cancellable operating leases.

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

	Group	
	2018	2017
	USD	USD
Not later than one financial year	**977,308**	771,959
Between two and five years	**886,803**	853,949
	1,864,111	1,625,908

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28 Financial instruments

(a) Categories of financial instruments

Financial instruments at their carrying amounts at balance sheet date are as follows:

	Group		Company	
	2018	2017	**2018**	2017
	USD	USD	**USD**	USD
Financial assets				
Loans and receivables	**–**	13,372,255	**–**	2,469,259
Available-for-sale financial asset	**–**	6,038,648	**–**	459,530
Financial assets at fair value through profit or loss	**5,869,195**	626,743	**459,530**	–
Financial assets at amortised cost	**6,904,915**	–	**2,360,272**	–
	12,774,110	20,037,646	**2,819,802**	2,928,789
Financial liabilities				
Financial liabilities at amortised costs	**8,065,741**	12,787,117	**1,749,497**	489,905

(b) Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign currency risk, interest rate risk, credit risk and liquidity risk. The policies for managing each of these risks are summarised below. The directors review and agree policies and procedures for the management of these risks.

There has been no change to the Group’s exposure to these financial risks or the manner in which the Group manages and measures financial risk.

Foreign currency risk

The Group has currency exposures arising from transactions, assets and liabilities that are denominated in currencies other than the respective functional currencies of entities in the Group. The foreign currencies in which the Group’s currency risk arises is mainly Singapore dollar (“SGD”).

There is no formal hedging policy with respect to foreign currency exposure. Exposure to foreign currency risk is monitored on an on-going basis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28 Financial instruments (cont'd)

(b) **Financial risk management objectives and policies (cont'd)**

Foreign currency risk (cont'd)

At the balance sheet date, the Group and Company have the following financial assets and financial liabilities denominated in foreign currencies based on information provided to key management:

Denominated in SGD	**2018 USD**	2017 USD
Group		
Cash and cash equivalents	**254,452**	462,249
Company		
Cash and cash equivalents	**254,449**	181,231

Sensitivity analysis of the Group's and the Company's foreign exchange risk exposure are not presented as a reasonably possible change in 5% in the foreign currencies exchange rates against the respective functional currencies of the Group's entities, with all other variables held constant will have no significant impact on the Group's and the Company's net profit.

Interest rate risk

The Group's and the Company's exposure to interest rate risk arises primarily from their bank borrowings and interest-bearing loans to staff, third parties and related party. Bank borrowings at variable rates expose the Group to cash flow interest rate risk (i.e. the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rate). Bank borrowings and loans to staff, third parties and subsidiaries at fixed rates expose the Group and the Company to fair value interest rate risk (i.e. the risk that the value of a financial instrument will fluctuate due to changes in market rates).

The Group's income and operating cash flows are substantially independent on changes in market interest rates as interest income and costs on the Group's interest-bearing assets and liabilities are not significant. The sensitivity analysis for interest rate risk is not disclosed as a reasonably possible fluctuation in the market interest rates has no significant impact on the Group's profit or loss.

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables and contract assets. Cash and cash equivalents are placed with banks with high credit-ratings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28 Financial instruments (cont'd)

(b) **Financial risk management objectives and policies (cont'd)**

Credit risk (cont'd)

The following sets out the Group's internal credit evaluation practices and basis for recognition and measurement of expected credit losses (ECL):

Description of evaluation of financial assets	Basis for recognition and measurement of ECL
Counterparty has a low risk of default and does not have any past due amounts	12-month ECL
Contractual payments are more than 60 days past due or where there has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit-impaired
Contractual payments are more than 120 days past due or there is evidence of credit impairment	Lifetime ECL - credit-impaired
There is evidence indicating that the Group has no reasonable expectation of recovery of payments such as when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.	Write-off

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information, such as future economic and industry outlook that is available without undue cost or effort.

In particular, the Group considers the following information when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the operating results/key financial performance ratios of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Regardless of the evaluation of the above factors, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28 Financial instruments (cont'd)

(b) **Financial risk management objectives and policies (cont'd)**

Credit risk (cont'd)

Significant increase in credit risk (cont'd)

The Group also assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if it has an internal or external credit rating of "investment grade" as per globally understood definition, or the financial asset has a low risk of default; the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Definition of default

The Group has determined the default events on a financial asset to be when there is evidence that the borrower is experiencing liquidity issues or when there is a breach of contract, such as a default of payment.

The Group considers the above as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred such as evidence that the borrower is in significant financial difficulty, there is a breach of contract such as default or past due event; there is information that it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Estimation techniques and significant assumptions

There has been no change in the estimation techniques or significant assumptions made during the current financial year for recognition and measurement of credit loss allowances.

Maximum exposure and concentration of credit risk

At the end of the reporting period, the Group's trade receivables comprise 1 debtor (2017: 2 debtors) that individually represented 56% (2017: 10% to 20%) of the trade receivables.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28 Financial instruments (cont'd)

(b) **Financial risk management objectives and policies (cont'd)**

Credit risk (cont'd)

Trade receivables and contract assets

The Group applies the simplified approach to measure the expected credit loss ("ECL") allowance for trade receivables. Under the simplified approach, for trade receivables and contract assets that do not contain a significant financing component, the loss allowance is measured at initial recognition and throughout the life of the receivable at an amount equal to lifetime ECL.

There has been no change in the estimation techniques or significant assumptions made during the current financial year.

Group	12-month or lifetime ECL	Gross carrying amount USD	Loss allowance USD	Net carrying amount USD
Trade receivables	Lifetime	1,091,485	(619,616)	471,869
Contract assets	Lifetime	2,038,131	–	2,038,131
Other receivables	Lifetime	82,640	(82,640)	–
	12-month	418,641	–	418,641
Short-term loans	Lifetime	249,806	(244,250)	5,556
	12-month	1,493,724	–	1,493,724
Deposits	12-month	1,649,966	–	1,649,966
Accrued income	Lifetime	145,490	(24,471)	121,019
Cash and cash equivalents	Not applicable (Exposure limited)	2,744,140	–	2,744,140

Company	12-month or lifetime ECL	Gross carrying amount USD	Loss allowance USD	Net carrying amount USD
Trade receivables	Lifetime	12,202	–	12,202
Other receivables	12-month	523,824	–	523,824
Deposits	12-month	67,258	–	67,258
Accrued income	12-month	62,871	–	62,871
Loan to subsidiaries	12-month	1,409,000	–	1,409,000
Cash and cash equivalents	Not applicable (Exposure limited)	285,117	–	285,117

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28 Financial instruments (cont'd)

(b) **Financial risk management objectives and policies (cont'd)**

Credit risk (cont'd)

Short term loans and loans to subsidiaries

For the short term loans, loans to subsidiaries and other receivables where impairment loss allowance is measured using 12 months ECL, the Group and the Company assessed the latest performance and financial position of the respective counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Group and the Company measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

Movements in credit loss allowance

There are no movement in the allowance for impairment of financial assets under SFRS (I) 9 during the financial year for the Group and Company except for the following:

	Trade receivables USD	Other receivables USD	Short-term loans USD	Accrued income USD
Group				
Balance at 1 January 2018	66,336	86,242	254,896	20,682
Loss allowance measured/(reversed):				
Lifetime ECL				
- credit-impaired	565,047	–	–	4,728
Effect of changes in foreign currency exchange rates	(11,767)	(3,602)	(10,646)	(939)
Balance at 31 December 2018	619,616	82,640	244,250	24,471

Previous accounting policy for impairment of financial assets

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are past due and/or impaired

There is no financial assets that is past due and/or impaired except for trade and other receivables. There is no trade and other receivables that is past due.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28 Financial instruments (cont'd)

(b) **Financial risk management objectives and policies (cont'd)**

Credit risk (cont'd)

Previous accounting policy for impairment of financial assets (cont'd)

Financial assets that are past due and/or impaired

The carrying amount of receivables determined to be impaired and the movement in the related allowance for doubtful receivables are as follows:

	Group 2017 USD
Gross amount [(i)]	428,156
Less: Allowance for impairment	(428,156)
	–
Movements in allowance for impairment:	
At beginning of the financial year	143,942
Allowance made (Note 6)	258,914
Currency translation differences	25,300
At end of the financial year	428,156

[(i)] Trade and other receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties or have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

In managing its liquidity, management monitors and reviews the Group's forecasts of liquidity reserves (comprise cash and cash equivalents and undrawn borrowing facilities) on the basis of expected cash flows determined at local level in the respective operating companies of the Group in accordance with limits set by the Group.

The board of directors exercises prudent liquidity and cash flow risk management policies and aims at maintaining an adequate level of liquidity and cash flow at all times.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28 Financial instruments (cont'd)

(b) **Financial risk management objectives and policies (cont'd)**

Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's and the Company's non-derivative financial liabilities at the balance sheet date based on contractual undiscounted repayment obligations.

	Within 1 year USD	2 to 5 years USD	More than 5 years USD	Total USD
Group				
2018				
Trade and other payables	**2,551,266**	–	–	**2,551,266**
Film obligations and production loans	**440,891**	–	–	**440,891**
Borrowings	**1,923,212**	**3,495,573**	–	**5,418,785**
2017				
Trade and other payables	5,922,799	–	–	5,922,799
Film obligations and production loans	2,578,626	–	–	2,578,626
Borrowings	1,301,181	3,007,211	106,550	4,414,942
Company				
2018				
Trade and other payables	**336,916**	–	–	**336,916**
2017				
Trade and other payables	489,905	–	–	489,905

29 Fair value of assets and liabilities

(a) *Fair value hierarchy*

The tables below analyse the fair value measurements by the levels in the fair value hierarchy based on the inputs to the valuation techniques. The different levels are defined as follows:

a) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
b) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (ie derived from prices); and
c) Level 3 - input for the asset or liability that are not based on observable market data (unobservable inputs)

(b) *Fair value measurements of assets and liabilities that are measured at fair value*

The level of fair value hierarchy for financial assets and financial liabilities measured at fair value on the balance sheet at 31 December 2018 are disclosed in Note 17, Note 18 and Note 23.

(c) *Determination of fair values*

The determination of fair value measurements of assets that are measured at fair value are disclosed in Note 17 and Note 18.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

29 Fair value of assets and liabilities (cont'd)

(d) *Movements in Level 3 assets and liabilities measured at fair value*

The following table shows a reconciliation from the beginning balances to the ending balances for Level 3 fair value measurements:

	Investment in theatrical projects		**Unquoted equity investments**	**Investment in film funds**
	2018	2017	**2018**	**2018**
	USD	USD	**USD**	**USD**
Group				
Balance at beginning year	**3,517,404**	1,041,695	**459,930**	**2,015,046**
Acquisition of subsidiaries	**1,690,572**	–	–	**–**
Additions	**1,969,399**	3,251,796	**–**	**491,906**
Disposals	**(4,165,724)**	(919,572)	**–**	**(480,706)**
Fair value loss with respect to financial assets at FVTPL	–	(88,430)	–	**(74,594)**
Currency translation differences	**(127,439)**	231,915	**–**	**(73,246)**
Balance at end of financial year	**2,884,212**	3,517,404	**459,930**	**1,878,406**
Total losses for the year included in:				
Profit or loss				
Fair value loss with respect to financial assets at FVTPL	–	(88,430)	–	**(74,594)**
Other comprehensive loss				
Currency translation differences arising from consolidation	**(127,439)**	231,915	**–**	**(73,246)**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30 Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and the related parties on terms agreed by the parties concerned:

	Group	
	2018	2017
	USD	USD
Associated companies		
Income		
Rental income	**95,485**	151,010
Interest income	**49,541**	60,328
Other income	**18,731**	8,866
Expense		
Interest expenses	**169**	–
Service fees	–	18,743
Loan to	**483,834**	1,000,000
Loan from	**40,000**	–
Shareholder		
Rental expenses	**91,668**	96,030
Director		
Loan to	**518,737**	186,672

Related parties refer to associated companies and companies in which certain directors of the Group having control over financial and operating decisions.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31 Segment information

The Group is organised into business units based on nature of the income for management purposes. The reportable segments are revenue from distribution of films, production of films and leasing of equipment. Management monitors the operating results of its business units separately for making decisions about allocation of resources and assessment of performances of each segment.

The segment information provided to management for the reportable segments are as follows:

	Distribution of films		Production of films		Leasing of equipment		Others		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017 (Restated)
	USD	USD	**USD**	USD	**USD**	USD	**USD**	USD	**USD**	USD
Revenue	**6,412,540**	4,548,513	**8,786,666**	12,857,715	**4,144,127**	2,253,668	**2,330,637**	892,245	**21,673,970**	20,552,141
Cost of sales	**(4,542,954)**	(2,944,381)	**(7,747,857)**	(9,010,989)	**(910,617)**	(34,640)	**(702,169)**	(287,155)	**(13,903,597)**	(12,277,165)
Gain on disposal of associated company	**–**	–	**–**	–	**–**	–	**–**	2,697,253	**–**	2,697,253
Share of results of associated companies	**–**	–	**–**	–	**–**	–	**(173,748)**	26,821	**(173,748)**	26,821
Loss on disposal of property, plant and equipment	**–**	–	**–**	–	**(227,756)**	–	**–**	–	**(227,756)**	–
Reversal of loss on film borne by external investors	**(6,785)**	(370,809)	**–**	–	**–**	–	**–**	–	**(6,785)**	(370,809)
Impairment loss on film production inventories	**(30,651)**	(17,894)	**–**	–	**–**	–	**–**	–	**(30,651)**	(17,894)
Segment gross results	**1,832,150**	1,215,429	**1,038,809**	3,846,726	**3,005,754**	2,219,028	**1,454,720**	3,329,164	**7,331,433**	10,610,347
Selling expenses and general and administrative expenses (exclude depreciation and amortisation)	**(2,363,615)**	(1,292,877)	**(3,238,700)**	(3,654,699)	**(1,527,495)**	(640,586)	**(859,056)**	(253,613)	**(7,988,866)**	(5,841,775)
Segment net results	**(531,465)**	(77,448)	**(2,199,891)**	192,027	**1,478,259**	1,578,442	**595,664**	3,075,551	**(657,433)**	4,768,572
Unallocated other income:										
Other income and gains									**639,176**	433,020
Interest income									**91,862**	153,809
Unallocated expenses:										
Depreciation and amortisation									**(723,632)**	(740,506)
Other expenses									**(490,777)**	(802,982)
Finance costs									**(259,261)**	(100,442)
(Loss)/Profit before tax									**(1,400,065)**	3,711,471
Tax expense									**(324,222)**	(698,912)
(Loss)/Profit for the year									**(1,724,287)**	3,012,559
Segment assets	**7,337,459**	3,006,733	**10,054,019**	8,205,550	**4,741,859**	1,489,757	**2,666,800**	589,807	**24,800,137**	13,291,847
Unallocated assets									**42,746,675**	32,802,257
Total assets									**67,546,812**	46,094,104
Segment liabilities	**716,475**	1,622,086	**981,736**	4,585,306	**463,024**	803,701	**1,537,841**	318,192	**3,699,076**	7,329,285
Unallocated liabilities									**9,719,746**	9,349,635
Total liabilities									**13,418,822**	16,678,920

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31 Segment information (cont'd)

Segment assets

The amounts provided to management with respect to total assets are measured in a manner consistent with that of the financial statements. Management monitors the assets attributable to each segment for the purposes of monitoring segment performance and for allocating resources between segments. All assets are allocated to reportable segments except for property, plant and equipment (excluding building and certain equipment), investment in associated companies, other receivables, financial assets at fair value through profit or loss, deferred tax assets, inventories and cash and cash equivalents which are classified as unallocated assets.

Segment liabilities

The amounts provided to management with respect to total liabilities are measured in a manner consistent with that of the financial statements. All liabilities are allocated to the reportable segments based on the operations of the segments other than borrowings, other payables, other non-current liabilities, deferred tax liabilities and tax payable. These liabilities are classified as unallocated liabilities.

Geographical information

The Group's revenues from external customers are derived solely from customers in Korea. The non-current assets (other than financial instruments and deferred tax assets) of the Group are mainly located in Korea.

Information about major customers

Revenue from one (2017: one) customer who individually contributed 10% or more of the Group's revenue amounted to USD12,156,094 (2017: USD12,857,715) and are attributable to the Production of film segment.

32 Capital management

The Group's objectives when managing capital are:

(a) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

(b) To support the Group's stability and growth; and

(c) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure to maximise shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

The capital of the Group mainly consists of equity attributable to equity holders of the Company comprising share capital, treasury shares, accumulated losses and merger reserve. The Group's overall strategy remains unchanged from 2017.

The Group and the Company are in compliance with all externally imposed capital requirements for financial years ended 31 December 2018 and 2017.

33 Prior year adjustments in accordance with SFRS(I) 3 *Business Combinations*

The financial statements for 2017 have been restated to reflect the effects of the retrospective adjustment of the goodwill arising from the finalisation of the fair values of the purchase consideration, assets and liabilities, relating to the acquisition of Take Pictures, which was acquired during the financial year ended 31 December 2017. In accordance with SFRS(I) 3 *Business Combinations*, the adjustments for the finalisation of the provisional Purchase Price Allocation (PPA), which are to be made within twelve months from the date of acquisition, have been made retrospectively.

With the completion of PPA exercise in accordance with SFRS(I) 3 *Business Combinations*, the provisional goodwill has been revised for the recognition of the fair value adjustment to the purchase consideration and the customer relationship recorded in the "Intangible assets" account of Take Pictures.

Consequently, adjustments were made to the intangible assets and share capital in the balance sheet of the Group and the cost of investment and share capital in the balance sheet of the Company. The adjustments has no impact on the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the financial year ended 31 December 2017.

	As previously reported $	Adjustments $	As restated $
At 31 December 2017			
Group			
Balance sheet			
Intangible assets	5,779,944	(293,869)	5,486,075
Share capital	37,461,301	(293,869)	37,167,432
Company			
Balance sheet			
Investment in subsidiaries	23,007,691	(293,869)	22,713,822
Share capital	37,461,301	(293,869)	37,167,432

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34 Restatement of the consolidated statement of cash flows for the financial year ended 31 December 2014

In 2014, the Group made an advanced payment of KRW1.3 billion (USD1,233,731) for the acquisition of 46.4% equity interest in Breakfastfilm Co., Ltd and such advanced payment was presented under operating cash flow in the consolidated statement of cash flows which should have been an investing cash flow. The following table shows the impact of the reclassification:

Consolidated statement of cash flows

	2014 Restated USD	Adjustment USD	2014 Revised USD
Cash flows used from operating activities			
Receivables	(2,831,645)	1,233,731	(1,597,914)
Net cash used in operating activities	(11,796,291)	1,233,731	(10,562,560)
Cash flows from investing activities			
Advance payment for acquisition of associate	–	(1,233,731)	(1,233,731)
Net cash used in investing activities	(674,309)	(1,233,731)	(1,908,040)

The advance payment of US$1,233,731 made in FY2014 was correctly accounted for as part of cost of investment for acquisition of an associated company under investing activities in the consolidated statement of cash flows for the financial year ended 31 December 2015. Therefore, the above reclassification has no impact on the consolidated statement of cash flows for the financial year ended 31 December 2015 and the financial years thereafter.

35 Authorisation of financial statements

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors dated 4 April 2019.

STATISTICS OF SHAREHOLDINGS

As at 28 March 2019

Issued and paid-up capital	:	S$91,837,806.31
Number of issued shares (including treasury shares)	:	1,040,614,708
Class of shares	:	Ordinary
Number of treasury shares	:	9,649,100
Voting rights	:	On a poll – 1 vote for each ordinary share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDING	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	7	0.36	161	0.00
100 – 1,000	25	1.27	12,700	0.00
1,001 – 10,000	187	9.52	1,381,200	0.14
10,001 – 1,000,000	1,662	84.62	268,802,834	26.07
1,000,001 and above	83	4.23	760,768,713	73.79
TOTAL	**1,964**	**100.00**	**1,030,965,608**	**100.00**

TWENTY THREE LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	UOB KAY HIAN PTE LTD	96,630,047	9.37
2	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	64,385,146	6.25
3	SPACKMAN EQUITIES GROUP INC.	62,000,000	6.01
4	THE H FACTORY PTE LTD	49,900,010	4.84
5	MASHMELLOW MARKETING AGENCY PTE. LTD.	42,000,000	4.07
6	DBS NOMINEES PTE LTD	38,030,800	3.69
7	AZUR INVESTISSEMENT LTD.	36,446,300	3.54
8	CELESTE PARTNERS PTE LTD	34,833,108	3.38
9	SMALLTALK PRODUCTION HOUSE PTE LTD	33,472,357	3.25
10	CITIBANK NOMINEES SINGAPORE PTE LTD	31,304,300	3.04
11	LEE YOO JIN	23,160,000	2.25
12	RAFFLES NOMINEES (PTE) LIMITED	14,865,169	1.44
13	HSBC (SINGAPORE) NOMINEES PTE LTD	13,629,500	1.32
14	VAARA PTE LTD	12,403,710	1.20
15	PHILLIP SECURITIES PTE LTD	11,801,900	1.14
16	OCBC SECURITIES PRIVATE LTD	11,271,399	1.09
17	LEE TIAN SAN (LI TIANSONG)	10,500,500	1.02
18	MAYBANK KIM ENG SECURITIES PTE. LTD.	10,080,800	0.98
19	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	8,899,323	0.86
20	BOON GEK PTE LTD	8,000,000	0.78
	TOTAL	**613,614,369**	**59.52**

STATISTICS OF SHAREHOLDINGS

As at 28 March 2019

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
NAME OF SHAREHOLDER	NO. OF SHARES	%	NO. OF SHARES	%
SPACKMAN EQUITIES GROUP INC.	148,971,000	14.45	–	–
TAN CHONG KOAY	–	–	70,105,800[1]	6.80[1]

Note:

(1) Tan Chong Koay is considered to have a deemed interest in the shares of Spackman Entertainment Group Limited held by Pheim Asset Management Sdn Bhd and Pheim Asset Management (Asia) Pte Ltd for the accounts of their respective clients, by virtue of his shareholdings in the two licensed asset management companies.

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

On the basis of the information available to the Company as at 28 March 2019, approximately 75.97% of the issued ordinary shares of the Company is held in the hands of the public. This is in compliance with Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited which requires at least 10% of a listed issuer's equity securities to be held by the public.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Spackman Entertainment Group Limited (the "**Company**") will be held at Tanah Merah Country Club – Garden Course, 1 Tanah Merah Coast Road, Singapore 498722, Heliconia Room, Ground Floor on Tuesday, 30 April 2019 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Auditors' Report thereon.

(Resolution 1)

2. To re-elect Mr Anthony Wong Wei Kit ("**Mr Anthony Wong**")* who is retiring pursuant to the Company's Constitution and who, being eligible, offers himself for re-election.

Mr Anthony Wong will, upon re-election as a Director of the Company, remain as Non-executive and Independent Chairman of the Company, Chairman of the Audit and Risk Management Committee and a member of the Nominating Committee and Remuneration Committee. He is considered independent for the purpose of Rule 704(7) of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") (the "**Catalist Rules**") Catalist Rules of SGX-ST.
[See Explanatory Note (a)] **(Resolution 2)**

3. To re-elect Mr Ng Hong Whee ("**Mr Ng**")* who is retiring pursuant to the Company's Constitution and who, being eligible, offers himself for re-election.

Mr Ng will upon re-election as Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee. He is considered independent for the purpose of Rule 704(7) of the Catalist Rules of SGX-ST.
[See Explanatory Note (b)] **(Resolution 3)**

4. To approve the payment of Directors' fees of US$108,000 (2018: US$108,000) for the financial year ending 31 December 2019, to be paid quarterly in arrears.

(Resolution 4)

5. To re-appoint Messrs Baker Tilly TFW LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration.

(Resolution 5)

6. To transact any other ordinary business which may be properly transacted at an annual general meeting.

AS SPECIAL BUSINESS

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

7. **Authority to allot and issue shares under the Spackman Entertainment Group Limited Employee Share Option Scheme (the "ESOS")**

THAT pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Act**"), approval be and is hereby given to the Directors of the Company to allot and issue from time to time such number of Shares pursuant to the exercise of options ("**Options**") granted in accordance with the provisions of the ESOS, and, pursuant to the ESOS, to offer and grant Options from time to time in accordance with the provisions of the ESOS, provided always that the aggregate number of Shares to be allotted and issued pursuant to the ESOS, when added to the total number of Shares issued and issuable in respect of all the Options granted under the ESOS and all outstanding options or awards granted under such other share-based incentive schemes of the Company, shall not exceed 15% of the total number of issued Shares including treasury shares of the Company on the day preceding that date of the relevant grant of the Option.
[See Explanatory Note (c)] *(Resolution 6)*

* *For details of their disclosure to Rule 720(5) of the Catalist Rules please refer to pages 154 to 157 of the Annual Report*

NOTICE OF ANNUAL GENERAL MEETING

8. **The Proposed Renewal of the Share Buy Back Mandate:**

THAT

(a) for the purposes of Sections 76C and 76E of the Act, the Directors of the Company be and are hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire Shares not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) market purchases (each a "**Market Purchase**") on the SGX-ST; and/or

(ii) off-market purchases (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors of the Company as they consider fit, which schemes shall satisfy all the conditions prescribed by the Act,

and otherwise in accordance with all other laws and regulations, including but not limited to, the Company's Constitution, the provisions of the Act and the Catalist Rules as may for the time being be applicable (the "**Share Buy Back Mandate**");

(b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buy Back Mandate shall, at the discretion of the Directors of the Company, either be cancelled or held in treasury and dealt with in accordance with the Act;

(c) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:

(i) the conclusion of the next AGM or the date by which such AGM is required by law to be held;

(ii) the date on which the buy-back of the shares is carried out to the full extent mandated; or

(iii) the date on which the authority conferred in the Share Buy Back Mandate is varied or revoked by the shareholders in a general meeting;

(d) for purposes of this Resolution:

"**Prescribed Limit**" means 10% of the issued ordinary share capital of the Company (excluding any treasury shares and subsidiary holdings) as at the date of passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares and subsidiary holdings that may be held by the Company from time to time);

"**Relevant Period**" means the period commencing from the date of passing of this Resolution and expiring on the date the next AGM is held or is required by law to be held, the date on which the buy-back of the Shares are carried out to the full extent mandated, or the date the said mandate is revoked or varied by the Shareholders of the Company in a general meeting, whichever is the earlier; and

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) not exceeding:

(i) in the case of a Market Purchase, 105% of the Average Closing Price; and

NOTICE OF ANNUAL GENERAL MEETING

(ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price, where:

(iii) "**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) market days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase by the Company or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5)-day period;

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

(v) "**market day**" means a day on which the SGX-ST is open for trading in securities; and

(e) any of the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents), as they or he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this Resolution.

[See Explanatory Note (d)] **(Resolution 7)**

By Order of the Board

Mr Anthony Wong Wei Kit
Independent Non-Executive Chairman

Singapore
15 April 2019

Explanatory Notes:

(a) Information on Mr Anthony Wong can be found on page 25 of the annual report.

(b) Information on Mr Ng Hong Whee can be found on page 26 of the annual report.

(c) The Resolution 6 in item 7, if passed, will authorise the Directors of the Company, effective until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to offer and grant options in accordance with the provisions of the ESOS and to allot and issue new shares in the Company pursuant to the exercise of any Options already granted and accepted under the ESOS and such other share-based incentive schemes of the Company up to a number not exceeding fifteen per cent. (15%) of the total number of issued shares (including treasury shares) in the capital of the Company on the day preceding that date of the relevant grant. The ESOS was approved by the shareholders of the Company on 20 June 2014.

(d) The Resolution 7 in item 8, if passed, will authorise the Directors of the Company, from the date of the annual general meeting until the next annual general meeting or the date by which the next annual general meeting of the Company is required by law to be held or when varied or revoked by the Company in general meeting, whichever is earlier, to purchase or acquire up to ten per cent. (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings), at prices up to but not exceeding the Maximum Price (as defined above), as at the date of the passing of this Resolution 7. Details the proposed renewal of the Share Buy Back Mandate are set out in the Appendix accompanying this annual report.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A member who is not a relevant intermediary# is entitled to appoint not more than two proxies to attend and vote in his/her behalf at the Annual General Meeting of the Company. A proxy need not be a member of the Company.

2. A member who is a relevant intermediary# is entitled to appoint more than two proxies to attend and vote at the Annual General Meeting of the Company. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services, either by hand or by post to 80 Robinson Road, #11-02 Singapore 068898, not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting of the Company in accordance with the instructions stated herein and in the instrument appointing a proxy or proxies.

   # *Relevant intermediary means:*

   (a) *a banking corporation licensed under the Banking Act (Cap. 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or*

   (b) *a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or*

   (c) *The Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation and CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with the subsidiary legislation.*

4. A depositor shall not be regarded as a member of the Company entitled to attend and vote at the Annual General Meeting of the Company unless his/her name appears on the Depository Register not less than seventy-two (72) hours before the time appointed for holding the Annual General Meeting of the Company.

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

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Anthony Wong and Mr Ng Hong Whee are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on 30 April 2019 ("**AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(5) of the Catalist Rules, the information relating to the Retiring Directors as set out in Appendix 7F of the Catalist Rules is set out below:

	Mr Anthony Wong	**Mr Ng Hong Whee**
Date of Appointment	20 June 2014	20 June 2014
Date of last re-appointment	21 April 2015	27 April 2017
Age	66	51
Country of principal residence	Hong Kong	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered the recommendation of the Nominating Committee, and having assessed Mr Anthony Wong's prior working experience and qualifications, is of the view that he has requisite experiences and capabilities to assume the responsibility as Non-Executive and Independent Chairman of the Company.	The Board of Directors of the Company has considered the recommendation of the Nominating Committee, and having assessed Mr Ng Hong Whee's prior working experience and qualifications, is of the view that he has requisite experiences and capabilities to assume the responsibility as Non-Executive and Independent Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	1. Non-Executive and Independent Chairman 2. Chairman of the Audit and Risk Management Committee 3. Member of the Nominating Committee 4. Member of the Remuneration Committee	1. Chairman of the Remuneration Committee 2. Member of the Audit and Risk Management Committee
Professional qualifications	Please refer to page 25 of the Annual Report	N.A.
Working experience and occupation(s) during the past 10 years	Please refer to page 25	Please refer to page 26
Shareholding interest in the listed issuer and its subsidiaries	No	No
Any relationship (including immediate family relationships with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Anthony Wong	Mr Ng Hong Whee
Other Principal Commitments* Including Directorships# * "Principal Commitments" has the same meaning as defined in the Code. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)	Past (for the last 5 years) China Public Procurement Limited Present: Nil	Past (for the last 5 years) Imperium Crown Limited Sincap Group Limited Present: NHW Pte. Ltd. WGP Holdings Pte. Ltd.
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Anthony Wong	Mr Ng Hong Whee
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Anthony Wong	Mr Ng Hong Whee
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.

This page has been intentionally left blank

SPACKMAN ENTERTAINMENT GROUP LIMITED
(Company Registration No.: 201401201N)
(Incorporated in the Republic of Singapore)

IMPORTANT
1. Personal Data Privacy
   By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of the Annual General Meeting dated 8 April 2019.
2. Relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) may appoint more than two proxies to attend and vote at the AGM of the Company.

PROXY FORM
ANNUAL GENERAL MEETING

I/We ____, NRIC/Passport/Company Registration No.: ____________________

of ____

being a member/members of Spackman Entertainment Group Limited (the "Company"), hereby appoint:

Name	Address	NRIC/ Passport No.	Number of Ordinary Shares	Proportion of shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Number of Ordinary Shares	Proportion of shareholdings (%)

or failing him/her, the Chairman of the Annual General Meeting (the "**AGM**"), as my/our proxy/proxies to attend and vote for me/us on my/our behalf, at the AGM of the Company to be held at Tanah Merah Country Club – Garden Course, 1 Tanah Merah Coast Road, Singapore 498722, Heliconia Room, Ground Floor on Tuesday, 30 April 2019 at 3.00 p.m., and at any adjournment thereof. I/we have indicated against the Resolutions set out in the Notice of the AGM and summarised below how I/we wish my/our proxy/proxies to vote. If no specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/her/their discretion.

	Ordinary Resolutions	Number of Votes For*	Number of Votes Against*
Ordinary Business			
Resolution 1	To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2018 and the Auditor's Report thereon		
Resolution 2	To re-elect Mr Anthony Wong Wei Kit as a Director of the Company		
Resolution 3	To re-elect Mr Ng Hong Whee as a Director of the Company		
Resolution 4	To approve the payment of Directors' fees for the financial year ending 31 December 2019, to be paid quarterly in arrears		
Resolution 5	To re-appoint Messrs Baker Tilly TFW LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration		
Special Business			
Resolution 6	To approve and authorise the Directors to allot and issue shares under the Spackman Entertainment Group Limited Employee Share Option Scheme		
Resolution 7	To approve the proposed renewal of the Share Buy Back Mandate		

* Each share shall have one vote only. 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 ____________________ 2019

Total Number of Ordinary Shares Held	
CDP Register	
Register of Members	

____
Signature(s) of Member(s)/Common Seal

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.

2. 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.

3. A corporation which is a member may appoint an authorised representative or representatives in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore to attend and vote for and on behalf of such corporation.

4. (a) A member of the Company who is not a relevant intermediary (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) is entitled to appoint not more than two proxies to attend and vote in his/her behalf at the AGM. A proxy need not be a member of the Company. Where such member's instrument appointing a proxy or proxies appoints more than one proxy, the proportion of his/her total number of shares concerned to be represented by each proxy shall be specified in the instrument appointing a proxy or proxies. If no proportion of shares is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares and any second named proxy as an alternate to the first named or at the Company's discretion to treat this instrument appointing a proxy or proxies as invalid.

   (b) A member of the Company who is a relevant intermediary (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) is entitled to appoint more than two proxies to attend and vote at the AGM. A proxy need not be a member of the Company. The relevant intermediary shall specify the number and class of shares to be represented by each proxy. If the number and class of shares are not specified, the instrument will be treated as invalid.

1st fold here

Please
Affix
Postage
Here

SPACKMAN ENTERTAINMENT GROUP LIMITED
c/o The Share Registrar
Tricor Barbinder Share Registration Services
80 Robinson Road
#02-00
Singapore 068898

2nd fold here

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her 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 common seal or signed on its behalf by an officer or attorney duly authorised in writing.

6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by the attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. The instrument appointing a proxy or proxies must be deposited at the office of the Company's share registrar, Tricor Barbinder Share Registration Services, either by hand or by post to 80 Robinson Road, #11-02 Singapore 068898, not less than forty-eight (48) hours before the time appointed for holding the AGM in accordance with the instructions stated.

8. An investor who buys shares using SRS monies ("**SRS Investor**") (as may be applicable) may attend and cast his/her vote(s) at the AGM in person. SRS Investors who are unable to attend the AGM but would like to vote, he/she may inform their SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the SRS Investors shall be precluded from attending and voting the AGM.

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 members whose Shares are deposited with The Central Depository (Pte) Limited, 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/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

spackmanentertainmentgroup

(Company Registration No.: 201401201N)
(Incorporated in the Republic of Singapore on 10 January 2014)

16 Collyer Quay, #17-00
Singapore 049318
www.spackmanentertainmentgroup.com