

spackmanentertainmentgroup



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The Company was listed on the Catalyst Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 22 July 2014. The initial public offering of the Company was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor").

This annual report has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the SGX-ST Listing Manual Section B: Rules of Catalyst. The Sponsor has not verified the contents of this annual report.

This annual report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this annual report, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Ms Keng Yeng Pheng, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.

## CORPORATE PROFILE

Listed on the Catalist of the Singapore Exchange Securities Trading Limited on 22 July 2014, Spackman Entertainment Group Limited ("**Spackman Entertainment Group**", and together with its subsidiaries, the "**Group**") is a leading entertainment production company that is primarily engaged in the independent development, production, presentation, and financing of theatrical motion pictures in Korea.

### Film Production Subsidiaries

Our three motion picture production and financing subsidiaries, namely, Zip Cinema Co., Ltd. ("**Zip Cinema**"), Novus Mediacorp Co., Ltd. ("**Novus Mediacorp**"), and Opus Pictures Limited Liability Company ("**Opus Pictures**") are amongst the most recognized film production labels in Korea, and have originated, produced, and financed some of Korea's most commercially successful theatrical films for the past eight years.

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 television, broadcast television, IPTV, video-on-demand, 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.

Since their incorporation, Zip Cinema and Opus Pictures have produced and released a total of 18 theatrical motion pictures, majority of which were profitable and well-received. Recent theatrical releases of our motion pictures include some of Korea's highest grossing and award-winning films such as *THE PRIESTS* (2015), *SNOWPIERCER* (2013-2014) and *COLD EYES* (2013).

In the past five years, Novus Mediacorp was the investor, presenter, and/or ancillary distributor for a total of 55 films (36 Korean and 19 foreign) including one of 2013's biggest box office hits – *SECRETLY, GREATLY*, starring Kim Soo-hyun of *MY LOVE FROM THE STARS* and *FRIEND 2: THE GREAT LEGACY*.

### Complementary Businesses

In addition to our film business, we also invest in entertainment companies and film funds that can financially and strategically complement our existing core operations. We also currently own one of Korea's leading talent management agencies, UAA Korea Co., Ltd.<sup>1</sup>, which represents Hallyu stars such as Song Hye-kyo (*THE CROSSING; MY BRILLIANT LIFE; THE GRANDMASTER; HWANG JIN YI; THE QUEENS*), and Yoo Ah-in (*VETERAN;*

*THE THRONE; THREAD OF LIES*); operate a café-lounge called Upper West, in the Gangnam district of Seoul; own a professional photography studio, noon pictures Co., Ltd.; and produce documentary programmes for broadcast and cable TV through Film Auteur Co., Ltd.

### Spackman Media Group

The Group is a strategic shareholder of Spackman Media Group Pte. Ltd. ("**Spackman Media Group**"), an associated company of Spackman Entertainment Group.

Spackman Media Group owns a 99% interest in Delmedia Co., Ltd. ("**Delmedia**"), a leading variety show and unscripted entertainment program production company, which has produced some of Korea's most popular series such as *I AM A SINGER* (MBC), *INFINITE GIRLS* (MBC EVERY1) and *STAR AUDITION: THE GREAT BIRTH* (MBC). Since its inception in November 2003, Delmedia has produced more than 120 variety shows/unscripted entertainment programs, TV dramas and documentaries.

Spackman Media Group also owns a 51.0% majority stake in Breakfastfilm Co., Ltd. ("**Breakfastfilm**"), a leading marketing and media company that specializes in the production of TV/new media commercials and K-pop music videos in Korea. Founded in 2004, Breakfastfilm has produced some of Korea's most well-known TV commercials for major multinational clients such as Samsung, Hyundai Motors, LG, Coca-Cola, McDonald's, Adidas as well as other major Korean corporate brands. Moreover, as a leading producer of K-pop music videos, Breakfastfilm has produced many of Korea's most popular music videos including Wonder Girls' *Nobody*, Girls Generation's *Genie*, 2PM's *Without You*, Miss A's *Breathe*, Rain's *I'm Coming*, Super Junior's *Bonamana*, Shinee's *Everybody*, and JYP's *No Love No More*.

On 21 August 2015, Spackman Media Group engaged KGI Capital Limited to act as the Sole Global Coordinator, Sole Sponsor, Bookrunner and Lead Manager in respect of the proposed listing of Spackman Media Group and its affiliates, which together will form the resultant listing group subsequent to a restructuring exercise, on The Stock Exchange of Hong Kong. Subsequently, on 30 December 2015, the Group announced a share swap agreement for the sale of its 45.8% equity interest in its associated company, Spackman Media Group, in consideration for 7,500,000 ordinary shares in the capital of Spackman Media Group Limited, a company primarily engaged in the talent management business in Korea.

<sup>1</sup> The Company announced the disposal of its 51.36% equity stake in UAA Korea Co., Ltd. on 30 December 2015, which is pending completion as at 1 April 2016.



## CHAIRMAN'S MESSAGE

### Dear Shareholders,

On behalf of the Board of Spackman Entertainment Group Limited ("**Spackman Entertainment Group**", or the "**Group**"), I present our annual report for the financial year ended 31 December 2015 ("**FY2015**").

While overall conditions in the Korean film industry improved in 2015, the industry continued to face competition from foreign blockbusters amidst a slowdown in the global economy. Challenges notwithstanding, Spackman Entertainment Group remained steadfast in our commitment to grow as an entertainment production company and marked 2015 with several exciting developments, including the release of one of Korea's top films in 2015 – *THE PRIESTS*.

### PERFORMANCE REVIEW

The Korean film industry remained resilient in 2015 and recorded a 3.1% increase in box office sales to US\$1.42 billion from the preceding year on the back of an increase in box office and ancillary sales, with Korean films turning in a strong performance. The number of film-goers also reached a record high in 2015 at 217.29 million, placing Korea among countries with the highest average number of visits to the theatre per person. Further, the digital online market segments and percentage of cross-border collaborations also increased year-on-year, reflective of the growing demand for Korean entertainment overseas<sup>(1)</sup>.

The Group recorded a 14% increase in revenue to US\$17.77 million in FY2015 from US\$15.60 million in FY2014, mainly due to the strong box office performance of *THE PRIESTS* as compared to the box office performances of the four theatrical films released in FY2014. Coupled with our continued commitment to adopting a disciplined approach towards cost management, the Group narrowed its loss attributable to shareholders to US\$1.11 million in FY2015, as compared to US\$7.98 million in FY2014.

Our film, *THE PRIESTS*, was amongst one of the top films in Korea for the year. Released on 5 November 2015, *THE PRIESTS* sold 5.44 million tickets, grossing KRW42.41 billion at the Korean box office and set a historical record for the biggest Korean box office opening in November at the time of its release. This follows the strong interest from the media and netizens after the unveiling of its movie poster and trailer in September 2015. *THE PRIESTS* is also one of the first full-length films screened in state of the art ScreenX format, providing audiences with a unique 270-degree immersive viewing experience.

The film also saw strong interest from international buyers for distribution rights ahead of its release. Following its domestic release, distribution rights to *THE PRIESTS* were sold in the United States, Canada, Japan, Taiwan, the Philippines, Singapore and the People's Republic of China (the "**PRC**").

<sup>(1)</sup> Source: Korean Film Council (KOFIC): [www.koreanfilm.or.kr](http://www.koreanfilm.or.kr)

## CHAIRMAN'S MESSAGE

In the first quarter of 2016, we released action comedy *CHASING* (presented and distributed by Opus Pictures) and mystery thriller *MUSUDAN* (presented and distributed by Opus Pictures). We also announced other films under development including romance thriller *LIFE RISKING ROMANCE* (presented and co-produced by Novus Mediacorp Co., Ltd. ("**Novus Mediacorp**") and co-presented and distributed by Opus Pictures), which is scheduled to be released in September or October 2016, and crime-action movie *MASTER* (produced by Zip Cinema and co-presented by Opus Pictures), which will commence filming in the second quarter of 2016 and is currently expected to be released in Korean theatres in the fourth quarter of 2016. *MASTER* will star top Korean actors namely, Gang Dong-won, Lee Byung-hun, and Kim Woo-bin.

### VALUE CREATION FOR SHAREHOLDERS

Our focus on the Korean entertainment industry remains unchanged. We are bolstering our film production capabilities and taking steps to diversify our income streams to various segments of the industry.

Over the course of the year, we announced several corporate developments to generate value creation opportunities for shareholders.

We completed the acquisition of a 51.0% stake in Novus Mediacorp, a renowned movie investor, presenter, and ancillary distributor of Korean theatrical films in January 2015. This acquisition enables the Group to tap into the fast-growing Korean ancillary market, which includes Internet Protocol Television (IPTV), digital cable, and internet VOD services (including mobile services). Further, the additional slate of Novus Mediacorp productions will help us diversify our financial exposure over a more extensive line-up of movies. Mr. Suk Young Jung, CEO of Novus Mediacorp, is also a valuable addition to our team of top industry professionals.

Seizing opportunities to expand our presence internationally via partnerships, joint ventures and strategic alliances, we signed a business partnership agreement with Hong Kong-listed National Arts Entertainment and Culture Group Limited in July 2015. The agreement entails the production of Chinese and Korean language movies and other entertainment content for the PRC and Korea markets, as well as English language films for the global market. Such partnerships allow us to leverage on each party's expertise in the respective domestic markets and bring about more opportunities for further growth.

We also capitalised on the growing demand for Korean-style entertainment to directly produce foreign language entertainment content overseas.

In April 2015, Spackman Media Group Pte. Ltd. ("**SMGPL**") was incorporated in preparation for an internal reorganisation to streamline the Group's structure, with

plans for peripheral assets to be held under SMGPL. SMGPL currently owns a 99.0% interest in Delmedia, a variety show and unscripted entertainment program production company in Korea, and a 51.0% interest in Breakfastfilm Co., Ltd., a marketing and media company that specialises in the production of TV/new media commercials and K-pop music videos in Korea.

In August 2015, we announced the proposed listing of SMGPL (together with its affiliates) on the Stock Exchange of Hong Kong. We believe that the proposed listing will unlock value for our shareholders by ascribing a separate and distinct valuation for SMGPL.

The Company had also entered into a share swap agreement with Spackman Media Group Limited ("**SMGL**") for the sale of its 45.8% equity interest in SMGPL, in consideration for 7,500,000 ordinary shares in the capital of SMGL in December 2015. The proposed share swap forms part of the restructuring exercise in connection with the proposed listing of SMGPL. The Group will provide updates progressively as and when there are material developments.

Taking steps to further strengthen our financial position, we entered into a sale and purchase agreement with SMGL for the sale of our 51.36% equity stake in UAA Korea Co., Ltd. in December 2015 which is pending completion as at 1 April 2016. Proceeds from the proposed disposal will be used for working capital purposes to support the expansion of the Group's core theatrical film business.

In addition, the Group is reviewing its operations to restructure its loss-making business units. With our strategic corporate restructuring exercise underway, we are looking to further optimize our operations and drive growth in the years ahead.

### WORD OF THANKS

On behalf of the Board of Directors, I would like to express our appreciation to our valued shareholders, investors and business associates for your continued support as we step into a new year of opportunities.

I would also like to thank my fellow Board members, the management team and staff for their dedication and commitment to Spackman Entertainment Group. In the year ahead, we will continue to focus our efforts on producing, distributing and investing in commercially successful films, and to seek investment opportunities in synergistic and complementary businesses in order to strengthen our business.

**Charles Spackman**  
 Executive Chairman

## OPERATIONS AND FINANCIAL REVIEW



We will continue to focus our efforts on producing, distributing and investing in commercially successful films and seeking investment opportunities for synergistic and complementary businesses.

### OPERATIONS REVIEW

#### STRENGTHENING CORE CAPABILITIES

Focused on enhancing value for our stakeholders, Spackman Entertainment Group Limited ("Spackman Entertainment Group" or the "Group") channelled its efforts towards building a strong pipeline of films and expanding our income streams across the Korean entertainment industry.

The Group began 2015 by completing the acquisition of a 51.0% stake in Novus Mediacorp Co., Ltd. ("Novus Mediacorp"), a renowned movie investor, presenter, and ancillary distributor of Korean theatrical films in January. The Korean ancillary market is the fastest growing segment of the film industry in recent years with post-theatrical revenues amounting to a significant portion of the overall revenues of a film. Besides exposure to the fast-growing Korean ancillary market via Novus Mediacorp, the Group is also able to diversify our financial exposure by adding Novus Mediacorp's film productions to our line-up of movies.

As part of efforts to expand our portfolio of film production brands and establish an overseas presence, we entered into a business partnership agreement with Hong Kong-listed National Arts Entertainment and Culture Group Limited in July 2015. This was a joint collaboration to produce Chinese and Korean language movies and other entertainment content for the PRC and Korea markets, as well as English language films for the global market.

Spackman Entertainment Group also capitalised on the growing demand for Korean entertainment in overseas markets. *MY BRILLIANT LIFE* (produced by Zip Cinema Co., Ltd. ("Zip Cinema")) opened in 5,000 theatres across China and was also released in Japan in 2015. This follows the release of the movie in Taiwan, Hong Kong and Vietnam in 2014 after its opening in Korea in the same year.

The Group terminated the proposed acquisition of 51% or more of the issued and outstanding share capital of Fireworks Co., Ltd., in November 2015 as the definitive agreements were not executed by the long stop date. Fireworks is a post-production house that creates high-end visual effects for TV commercials, music videos, films and digital media.

On the theatrical films front, the Company kick started a cycle of releases with *THE PRIESTS* (produced by Zip Cinema and presented by Opus Pictures Limited Liability Company ("Opus Pictures")) in FY2015. Subsequently, the Company released two movies, namely, mystery thriller *MUSUDAN* (presented and distributed by Opus Pictures), and action comedy *CHASING* (presented and distributed by Opus Pictures) in the first quarter of 2016. Romance thriller *LIFE RISKING ROMANCE* (presented and co-produced by Novus Mediacorp and co-presented and distributed by Opus Pictures) is scheduled to be released in September or October 2016, and filming for crime-action movie, *MASTER* (produced by Zip Cinema and co-presented by Opus Pictures), is expected to commence in the second quarter of 2016. *MASTER* is currently scheduled to be released in Korean theatres in the fourth quarter of 2016 and will star top Korean actors Gang Dong-won, Lee Byung-hun, and Kim Woo-bin.



## FINANCIAL REVIEW

### GAINING MOMENTUM

Revenue increased by 14% to US\$17.77 million in FY2015 from US\$15.60 million in FY2014, mainly due to the strong box office performance of *THE PRIESTS* as compared to the box office performances of the four theatrical films released in FY2014. The four films are *FOR THE EMPEROR* (produced and presented by Opus Pictures), *CONFESSION* (produced by Opus Pictures), *MY BRILLIANT LIFE* (produced by Zip Cinema), and *BIG MATCH* (presented by Opus Pictures).

*THE PRIESTS* was released on 5 November 2015 and 5.44 million tickets were sold, grossing KRW42.41 billion at the Korean box office – making it Korea's 11<sup>th</sup> best-selling movie for 2015. The Group was the presenter, producer and investor for *THE PRIESTS* and recorded US\$14.76 million as revenue from distribution of films.

In addition to the above-mentioned revenue from distribution of films, the Group also recorded revenue of US\$1.55 million from the distribution of several motion films including *BIG MATCH*, *MY BRILLIANT LIFE*, *CONFESSION*, *FOR THE EMPEROR*, and others. In addition, the Group recognised US\$0.96 million of production revenue from the production of documentaries and recorded US\$0.50 million of revenue from restaurant sales from the Group's café lounge business and professional photography services from noon pictures Co., Ltd.

Cost of sales decreased 36% to US\$9.93 million in FY2015 from US\$15.55 million in FY2014, mainly due to the release of one film in FY2015 as compared to four films a year ago.

For FY2015, the Group's gross profit increased by US\$7.79 million to US\$7.84 million from US\$0.05 million a year ago, representing a gross profit margin of 44% in FY2015, mainly attributable to the strong performance of *THE PRIESTS*.

Other income amounted to US\$0.72 million in FY2015 as compared to US\$0.97 million in FY2014. The decrease was primarily attributable to the absence of loss on film borne by external investors in FY2015, which amounted to US\$0.46 million in FY2014. This decrease was partially offset by government grants of US\$0.23 million. Other income also included interest income, rental income, foreign exchange gain and others.

General and administrative expenses declined 11% from US\$6.30 million in FY2014 to US\$5.63 million in FY2015, mainly due to the absence of IPO expenses in FY2015 and allowance for doubtful receivables. The decrease was partially offset by an increase in personnel expenses arising from the acquisition of Novus Mediacorp, which was completed in January 2015, and an increase in professional fees as the Group transitioned to a publicly listed company.

Other expenses increased 232% from US\$1.45 million in FY2014 to US\$4.82 million in FY2015, mainly due to profit on film distributable to external investors of US\$4.20 million recognized in FY2015, whereas there was no such expenses incurred in FY2014. The increase was partially offset by a decrease in impairment loss on film production inventories of US\$0.83 million.

The share of results of associate of US\$1.25 million in FY2015 (FY2014: nil) comprised a gain on bargain purchase of US\$1.71 million, which was partially offset by the share of losses from SMGPL of US\$0.46 million for FY2015.

As a result of the above, the Group narrowed its loss attributable to shareholders from US\$7.98 million in FY2014 to US\$1.11 million in FY2015.

### FINANCIAL POSITION

As at 31 December 2015, the Group recorded total assets of US\$57.31 million, an increase from US\$31.92 million a year ago. Total liabilities increased from US\$14.62 million as at 31 December 2014 to US\$40.62 million as at 31 December 2015.

Non-current assets increased from US\$6.32 million as at 31 December 2014 to US\$9.58 million as at 31 December 2015, mainly due to increases in investment in associate from the subscription of shares in SMGPL, property, plant and equipment, film production inventories as well as long-term financial instruments. These increases were partially offset by a decrease in intangible assets due to the reclassification of brand name owned by UAA Korea Co., Ltd. ("UAA") as assets held for sale in relation to the proposed disposal of UAA, and a decrease in deferred tax assets arising from the utilisation of deferred tax assets.

Total current assets also increased from US\$25.60 million to US\$47.73 million as at 31 December 2015. The increase was largely attributable to an increase in trade receivables from revenue generated from *THE PRIESTS*, reclassification of UAA's total assets as held for sale, increase in investments mainly in film investment funds, and an increase in film production inventories mainly due to *MASTER* and *LIFE RISKING ROMANCE*, which are currently expected to be released in 2016. These increases were partially offset by a decrease in cash and cash equivalents.

The Group's non-current liabilities amounted to US\$2.31 million as at 31 December 2015 compared to US\$0.12 million a year ago. The increase was mainly attributable to bank borrowings of US\$1.96 million mainly for the construction of a building.

## OPERATIONS AND FINANCIAL REVIEW

Current liabilities rose to US\$38.31 million as at 31 December 2015 from US\$14.50 million in the preceding year mainly due to increases in film obligations and production loans, trade and other payables, liabilities held for sale in relation to the proposed disposal of UAA, borrowings, and deferred revenue for the Group's sale of distribution rights in ancillary film markets. The increase in trade and other payables were mainly due to payables owing to investors of *THE PRIESTS* while the increase in film obligations and production loans were related to advances received from customers for *MASTER*, *LIFE RISKING ROMANCE* and other films under development.

Cash used in operating activities amounted to US\$20.41 million in FY2015, mainly due to operating loss and changes in working capital mainly resulting from an increase in receivables and an increase in film production inventories, which was partially offset by an increase in payables.

Cash used in investing activities for FY2015 totalled US\$6.07 million, mainly due to an investment in film funds, cash used for the construction of a building, cash proceeds used for the acquisition of an associated company, SMGPL, which was partially offset by the collection of loans.

Cash generated from financing activities was US\$20.58 million for FY2015, largely due to proceeds from film obligations and production loans, increase in box office proceeds payable to investors, and proceeds from additional loans utilized mainly for the construction of a building, which was partially offset by the repayment of film obligations and production loans.

As a result of the above, the Group had cash and cash equivalents amounting to US\$4.11 million as at 31 December 2015, as compared to cash and cash equivalents of US\$12.18 million as at 31 December 2014.

The Group registered working capital of US\$9.42 million as at 31 December 2015 with a current ratio of 1.25 times.

### OUTLOOK

According to the Korean Film Council, the Korean film industry recorded sales of US\$1.76 billion, including ticket sales and derivative market sales, a 4.2% increase from the preceding year. Box office sales have also increased 3.1% to US\$1.42 billion on the back of a 1.0% rise in the number of viewers to 217.29 million. The digital online market segment also recorded higher sales of 12.7% reaching US\$276 million in 2015. Notably, Korean films turned in a strong set of box office performance in 2015, with popular domestic films such as *ODE TO MY FATHER*, *ASSASSINATION*, *VETERAN*, *THE THRONE*, and *THE PRIESTS*<sup>(1)</sup>.

In light of the year-on-year growth in the Korean domestic film industry and increased demand for Korean entertainment abroad, the Company remains optimistic about riding on positive industry trends in 2016.

The Group expects to release romance thriller, *LIFE RISKING ROMANCE*, in Korean theatres in September or October 2016. With a multi-national cast, this movie targets an Asia-wide audience, beyond the Korean market with a focus on those in Greater China. The Group will also be commencing filming of its crime-action movie *MASTER* in the second quarter of 2016 and the film is currently expected to be released in Korean theatres in the fourth quarter of 2016. *MASTER* will star top Korean actors Gang Dong-won, Lee Byung-hun, and Kim Woo-bin.

The Company announced several corporate developments to generate value creation opportunities for shareholders. Firstly, SMGPL was incorporated in preparation for an internal reorganisation to streamline the Group's structure, with plans for peripheral assets to be held under SMGPL. SMGPL owns a 99.0% interest in Delmedia, a variety show and unscripted entertainment program production company in Korea and a 51.0% interest in Breakfastfilm Co., Ltd., a marketing and media company that specializes in the production of TV/new media commercials and K-pop music videos in Korea.

In August 2015, we announced the proposed listing of SMGPL (together with its affiliates) on the Stock Exchange of Hong Kong, which the Company believes will unlock value for its shareholders by ascribing a separate and distinct valuation for SMGPL.

In December 2015, we also announced a share swap agreement with Spackman Media Group Limited for the sale of its 45.8% equity interest in SMGPL, in consideration for 7,500,000 ordinary shares in the capital of Spackman Media Group Limited. The proposed share swap forms part of the restructuring exercise in connection with the proposed listing of SMGPL. The Company will make the relevant disclosures as and when there are material developments.

The Company has also entered into a sale and purchase agreement with SMGL for the sale of its 51.36% equity stake in UAA in December 2015, which is pending completion as at 1 April 2016. Proceeds from the proposed disposal will be used for working capital purposes to support the further expansion and development of the Group's core theatrical film business.

Going forward, Spackman Entertainment Group will continue to focus its efforts on producing, distributing and investing in commercially successful films. We also remain committed to seeking investment opportunities for synergistic and complementary businesses to further strengthen our business.

<sup>(1)</sup>Source: Korean Film Council (KOFIC): [www.koreanfilm.or.kr](http://www.koreanfilm.or.kr)



## PAST RELEASES BY ZIP CINEMA AND OPUS PICTURES



**MUSUDAN**  
MARCH 3, 2016  
OPUS PICTURES<sup>(1)</sup>



**CHASING**  
JANUARY 7, 2016  
OPUS PICTURES<sup>(1)</sup>



**THE PRIESTS**  
NOVEMBER 5, 2015  
ZIP CINEMA



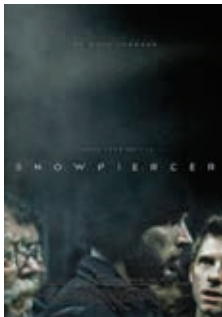
**BIG MATCH**  
NOVEMBER 26, 2014  
OPUS PICTURES<sup>(1)</sup>



**MY BRILLIANT LIFE**  
SEPTEMBER 3, 2014  
ZIP CINEMA



**CONFESSION**  
JULY 10, 2014  
OPUS PICTURES



**SNOWPIERCER**  
JUNE 27, 2014 (U.S. theaters)  
OPUS PICTURES / MOHO FILM



**FOR THE EMPEROR**  
JUNE 11, 2014  
OPUS PICTURES



**COLD EYES**  
JULY 3, 2013  
ZIP CINEMA



**ALL ABOUT MY WIFE**  
MAY 17, 2012  
ZIP CINEMA / SOO FILM



**HOWLING**  
FEBRUARY 16, 2012  
OPUS PICTURES / FILM POETA



**HAUNTERS**  
NOVEMBER 10, 2010  
ZIP CINEMA



**THE MAN FROM NOWHERE**  
AUGUST 4, 2010  
OPUS PICTURES



**LOVERS VANISHED**  
APRIL 1, 2010  
OPUS PICTURES



**WOUCHI**  
DECEMBER 23, 2009  
ZIP CINEMA



**CLOSER TO HEAVEN**  
SEPTEMBER 24, 2009  
ZIP CINEMA



**YOGA**  
AUGUST 20, 2009  
OPUS PICTURES



**A FROZEN FLOWER**  
DECEMBER 30, 2008  
OPUS PICTURES



**OPUS pictures**

Note:

(1) Presented by Opus Pictures and produced by third party

## FINANCIAL HIGHLIGHTS

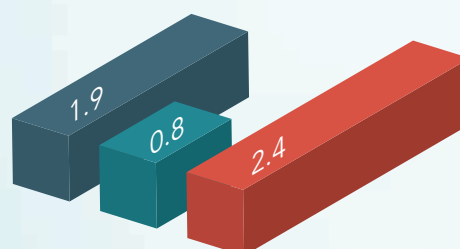
US\$'million	FY2013 (Restated)	FY2014 (Restated)	FY2015
Revenue	18.5	15.6	17.8
Gross Profit	12.1	0.1	7.8
Profit/(Loss) before tax	3.2	(7.5)	(1.1)
Profit/(Loss) attributable to shareholders	2.7	(8.0)	(1.1)
Total shareholders' equity	8.9	16.2	15.1

### CURRENT RATIO

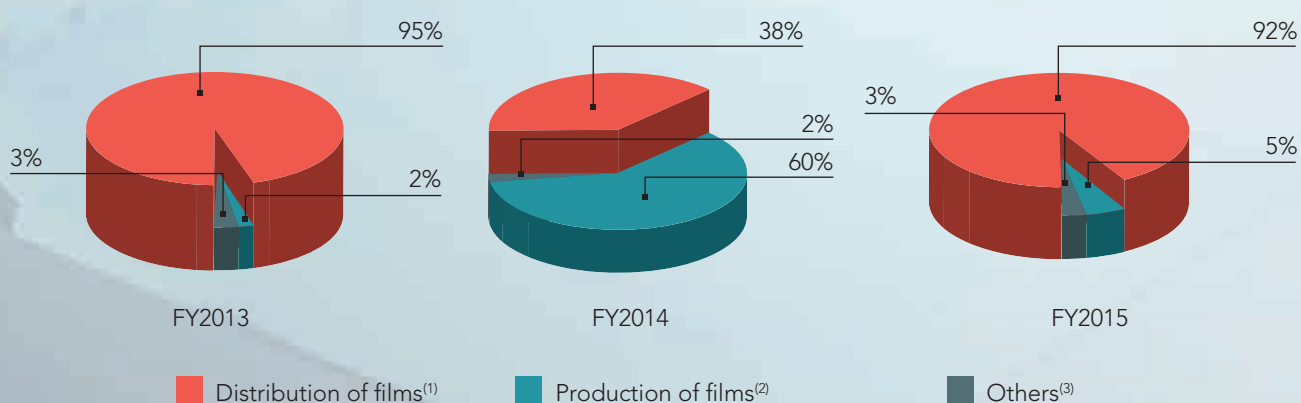


■ FY2015 ■ FY2014 ■ FY2013

### DEBT-TO-EQUITY



### REVENUE BREAKDOWN



#### Notes:

- (1) This comprised revenue from our share of profit from films for acting as the producer and revenue from film presentation, investment and distribution.
- (2) This comprised the fixed fee when the Group only undertakes the role of the producer.
- (3) This is related to revenue from restaurant sales from our café lounge business and photography services for FY2015, and in addition, consultancy services and rental income for FY2013 and FY2014.

## BOARD OF DIRECTORS

### CHARLES SPACKMAN Executive Chairman

Mr. Charles Spackman is the Executive Chairman of our Group, and is a member of the Nominating Committee. He is currently the chairman and chief executive officer of Spackman Equities Group Inc., a company listed on the TSX Venture Exchange in Canada. He is also the chairman, chief executive officer, and founder of Spackman Group Limited, a Hong Kong-based diversified investment company, at which he has about 18 years of experience financing, analysing, investing in, and developing the businesses of public and private companies. Spackman Group Limited and its affiliates have invested into and owns companies that are engaged in businesses such as finance, investments, information technology, communications, entertainment and media, clean technology, and healthcare.

Before establishing Spackman Group Limited in 1997, Mr. Spackman worked in several investment banking firms including UBS Securities as a research analyst and in the corporate finance/mergers and acquisitions divisions of Peregrine Securities, Jardine Fleming Securities, and KEB Smith Barney.

Mr. Spackman is the sponsor of The Spackman Scholarship Fund at Harvard University, a financial aid fund for Asian students admitted to Harvard College. He currently is the Chair of the Harvard-Asia Scholarship Council and served as a member of the Harvard Faculty of Arts & Sciences Task Force on the Undergraduate Experience. He graduated with an A.B. from Harvard College.

### EUGENE LEE Executive Director and Chief Producer

Ms. Eugene Lee is the Executive Director and Chief Producer of our Group. She is the founder, chief executive officer and head producer of Zip Cinema. Since founding Zip Cinema in 2006, Ms. Lee has produced and released ten films: *VOICE OF A MURDERER* (2007), *HAPPINESS* (2007), *ANTIQUÉ* (2008), *WOOCHI* (2009), *CLOSER TO HEAVEN* (2009), *HAUNTERS* (2010), *ALL ABOUT MY WIFE* (2012), *COLD EYES* (2013), *MY BRILLIANT LIFE* (2014), and *THE PRIESTS* (2015).

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.

### JESSIE HO Lead Independent Director

Mrs. Jessie Ho is the Lead Independent Director, and is also the Chairman of the Nominating Committee and serves on the Audit and Risk Management 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 1 August 2010 up until July 2013. She is also currently on the board of directors of Halogen Foundation, a non-profit organisation.



## BOARD OF DIRECTORS

### ANTHONY WONG

Independent Director

Mr. Anthony Wong is an Independent Director and the Chairman of the Audit and Risk Management Committee. He also serves on the Remuneration Committee and Nominating Committee. Mr. Wong has more than 25 years of experience in managing telecommunications, media and technology projects. As of 10 December 2014, he was appointed executive director and 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 in Vancouver, and worked as Senior Audit Manager with PricewaterhouseCoopers in Hong Kong.

Currently, Mr. Wong is a member of the Chartered Professional Accountants and the Institute of Chartered Accountants of British Columbia, Canada. He holds a Fellow Membership at the Hong Kong Institute of Directors. He graduated with a B.A. from Simon Fraser University, British Columbia, Canada, majoring in business and economics.

### NG HONG WHEE

Independent Director

Mr. Ng Hong Whee is an Independent Director and the Chairman of the Remuneration Committee. He also serves on the Audit and Risk Management 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

### KAY NA

#### Chief Financial Officer

Mr. Kay Na was appointed as the Chief Financial Officer of our Group in September 2013. He is responsible for managing and overseeing the financial related activities including, accounting, financing and taxation matters of the Group since joining us in September 2013. 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.

### JUNG HYUN LEE

#### Head of Investment and Production

Mr. Jung Hyun Lee is the Head of Investment and Production of our Group and has been with Opus Pictures since January 2010. He is primarily responsible for managing and overseeing film production and development, and financing for films from other investors. Mr. Lee has more than nine years of experience in the film industry. Prior to joining us, he worked at M&FC Co., Ltd. and Korea Pictures Co., Ltd. Mr. Lee graduated with a Bachelor of Arts from Dankook University and has completed a Master Course from the Graduate School of Digital Image and Contents of Dongguk University.

### RICHARD LEE

#### Head of Business Development

Mr. Richard Lee was appointed the Head of Business Development of our Group in October 2013. He is primarily responsible for building our market position by locating, developing, negotiating and closing business relationships and opportunities. Mr. Lee is also a director of Spackman Equities Group Inc., our Controlling Shareholder. Prior to joining the Group, Mr. Lee has worked in areas such as fund management, private equity, equity sales & research, and mergers and acquisitions for HSBC Private Equity, CIMB Securities, BNP Paribas Securities and CLSA Securities. Prior to this and as one of the founding members of Spackman Group, he served in various positions within the organization. Mr. Lee graduated with an A.B. from Harvard College.

### EUN JA KIM

#### Senior Manager of Finance and Administration

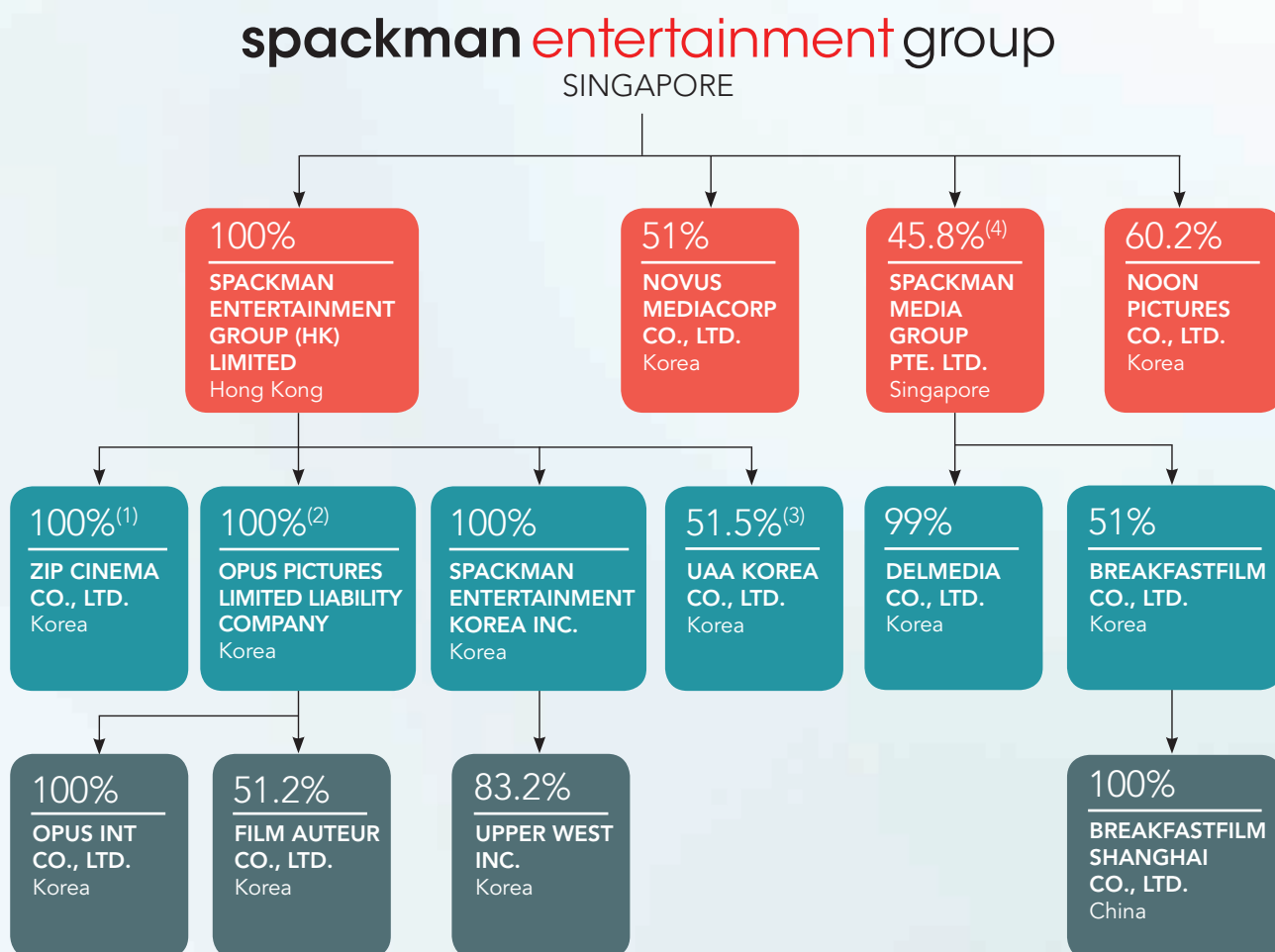
Ms. Eun Ja Kim is the Senior Manager of Finance and Administration of our Group and has been with Opus Pictures since January 2012. Ms. Kim assists our CFO and is responsible for maintaining financial, accounting, administrative and personnel matters. Prior to joining us, she worked at Focus Co., Ltd., Human Production Co., Ltd. and Moho Film. Ms. Kim has more than 10 years of experience in accounting and administration in the film industry. Ms. Kim graduated from Onyanghanol High School.

### GRACE TEO

#### General Manager

Ms. Grace Teo is the General Manager of our Group and is primarily responsible for overseeing the Company's corporate actions, investor relations and operational matters. Prior to joining the Group, she was a Manager at PrimePartners Corporate Finance Pte. Ltd. where she provided corporate finance advisory services to private as well as public companies listed on the Singapore Exchange. She had also previously worked at Provenance Capital Pte. Ltd. and Pricewaterhouse Coopers LLP. Ms. Teo graduated with a Bachelor of Accountancy (Hons) degree from Nanyang Technological University, Singapore.

## CORPORATE STRUCTURE



### Notes:

- (1) 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").
- (2) SEGHK owns 99.71% of Opus Pictures Limited Liability Company ("Opus Pictures") directly, and the remaining 0.29% through its wholly-owned subsidiary SEL.
- (3) SEGHK owns 51.36% of UAA Korea Co., Ltd. ("UAA") directly, and the remaining 0.13% through Opus Pictures. The Company announced the proposal disposal of 51.36% of UAA on 30 December 2015.
- (4) The Company announced the proposed share swap of 45.8% of Spackman Media Group Pte. Ltd. on 30 December 2015.



## CORPORATE GOVERNANCE REPORT

The Board of Directors (the “**Board**”) of Spackman Entertainment Group Limited (the “**Company**”, 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 2015 (“**FY2015**”), with specific reference made to the guidelines 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 FY2015.

# CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation														
BOARD MATTERS																
The Board's Conduct of Affairs																
1.1	What is the role of the Board?	<p>As at 1 April 2016, the Board has 5 members and comprises the following:</p> <table><tr><th colspan="2">Table 1.1 – Composition of the Board</th></tr><tr><th>Name of Director</th><th>Designation</th></tr><tr><td>Charles Choi Spackman ("Charles Spackman")</td><td>Executive Chairman</td></tr><tr><td>Yoo Jin Lee ("Eugene Lee")</td><td>Executive Director and Chief Producer</td></tr><tr><td>Thong Yuen Siew Jessie ("Jessie Ho")</td><td>Lead Independent Director</td></tr><tr><td>Anthony Wei Kit Wong ("Anthony Wong")</td><td>Independent Director</td></tr><tr><td>Ng Hong Whee</td><td>Independent Director</td></tr></table> <p>Mr Tae Hun Lee ceased as the Executive Director and Chief Executive Officer of the Company with effect from 8 March 2016.</p> <p>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:</p> <ul style="list-style-type: none"><li>• 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;</li><li>• 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;</li><li>• Review management performance;</li><li>• Ensure good corporate governance practices to protect the interests of shareholders; and</li><li>• Appoint Directors of the Company and key management personnel of the Group.</li></ul>	Table 1.1 – Composition of the Board		Name of Director	Designation	Charles Choi Spackman ("Charles Spackman")	Executive Chairman	Yoo Jin Lee ("Eugene Lee")	Executive Director and Chief Producer	Thong Yuen Siew Jessie ("Jessie Ho")	Lead Independent Director	Anthony Wei Kit Wong ("Anthony Wong")	Independent Director	Ng Hong Whee	Independent Director
Table 1.1 – Composition of the Board																
Name of Director	Designation															
Charles Choi Spackman ("Charles Spackman")	Executive Chairman															
Yoo Jin Lee ("Eugene Lee")	Executive Director and Chief Producer															
Thong Yuen Siew Jessie ("Jessie Ho")	Lead Independent Director															
Anthony Wei Kit Wong ("Anthony Wong")	Independent Director															
Ng Hong Whee	Independent Director															

# CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																																																		
1.3	Has the Board delegated certain responsibilities to committees? If yes, please provide details.	<p>The Board has delegated certain responsibilities to the Audit and Risk Management Committee (the "<b>ARMC</b>"), the Remuneration Committee (the "<b>RC</b>") and the Nominating Committee (the "<b>NC</b>") (collectively, the "<b>Board Committees</b>"). The composition of the Board Committees are as follows:</p> <table><tr><th colspan="4"><b>Table 1.3 – Composition of the Board Committees</b></th></tr><tr><th></th><th><b>ARMC</b></th><th><b>NC</b></th><th><b>RC</b></th></tr><tr><td>Chairman</td><td>Anthony Wong</td><td>Jessie Ho</td><td>Ng Hong Whee</td></tr><tr><td>Member</td><td>Jessie Ho</td><td>Charles Spackman</td><td>Jessie Ho</td></tr><tr><td>Member</td><td>Ng Hong Whee</td><td>Anthony Wong</td><td>Anthony Wong</td></tr></table>	<b>Table 1.3 – Composition of the Board Committees</b>					<b>ARMC</b>	<b>NC</b>	<b>RC</b>	Chairman	Anthony Wong	Jessie Ho	Ng Hong Whee	Member	Jessie Ho	Charles Spackman	Jessie Ho	Member	Ng Hong Whee	Anthony Wong	Anthony Wong																														
<b>Table 1.3 – Composition of the Board Committees</b>																																																				
	<b>ARMC</b>	<b>NC</b>	<b>RC</b>																																																	
Chairman	Anthony Wong	Jessie Ho	Ng Hong Whee																																																	
Member	Jessie Ho	Charles Spackman	Jessie Ho																																																	
Member	Ng Hong Whee	Anthony Wong	Anthony Wong																																																	
1.4	Have the Board and Board Committees met in the last financial year?	<p>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 FY2015 are shown below:</p> <table><tr><th colspan="5"><b>Table 1.4 – Board and Board Committee Meetings in FY2015</b></th></tr><tr><th></th><th><b>Board</b></th><th><b>ARMC</b></th><th><b>NC</b></th><th><b>RC</b></th></tr><tr><td>Number of Meetings Held</td><td>4</td><td>4</td><td>1</td><td>1</td></tr><tr><th><b>Name of Director</b></th><th colspan="4"><b>Number of Meetings Attended</b></th></tr><tr><td>Charles Spackman</td><td>4/4</td><td>NA</td><td>1/1</td><td>NA</td></tr><tr><td>Tae Hun Lee<sup>(1)</sup></td><td>4/4</td><td>NA</td><td>NA</td><td>NA</td></tr><tr><td>Eugene Lee</td><td>3/4</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>Anthony Wong</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>3/4</td><td>3/4</td><td>NA</td><td>1/1</td></tr></table> <p>NA – Not applicable</p> <p>Note:</p> <p>(1) Mr. Tae Hun Lee ceased as the Executive Director and Chief Executive Officer of the Company with effect from 8 March 2016.</p> <p>The Company's Constitution allows for meetings to be held through telephone and/or video-conference.</p>	<b>Table 1.4 – Board and Board Committee Meetings in FY2015</b>						<b>Board</b>	<b>ARMC</b>	<b>NC</b>	<b>RC</b>	Number of Meetings Held	4	4	1	1	<b>Name of Director</b>	<b>Number of Meetings Attended</b>				Charles Spackman	4/4	NA	1/1	NA	Tae Hun Lee <sup>(1)</sup>	4/4	NA	NA	NA	Eugene Lee	3/4	NA	NA	NA	Jessie Ho	4/4	4/4	1/1	1/1	Anthony Wong	4/4	4/4	1/1	1/1	Ng Hong Whee	3/4	3/4	NA	1/1
<b>Table 1.4 – Board and Board Committee Meetings in FY2015</b>																																																				
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Ng Hong Whee	3/4	3/4	NA	1/1																																																



## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
1.5	What are the types of material transactions which require approval from the Board?	<p>Matters that require the Board's approval include, amongst others, the following:</p> <ul style="list-style-type: none"> <li>• corporate strategy and business plans of the Group;</li> <li>• material acquisitions, divestments and capital expenditure of the Group;</li> <li>• share issuance, dividend release or changes in capital of the Company;</li> <li>• budgets, financial results announcements, annual report and audited financial statements of the Group;</li> <li>• material financing and restructuring plans of the Group; and</li> <li>• material interested person transactions of the Group.</li> </ul>
1.6	(a) Are new Directors given formal training? If not, please explain why.	<p>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.</p>
	(b) What are the types of information and training provided to (i) new Directors and (ii) existing Directors to keep them up-to-date?	<p>No new Directors were appointed during FY2015.</p> <p>Briefings, updates and trainings for the existing Directors in FY2015 include:</p> <ul style="list-style-type: none"> <li>• Briefing by the external auditors ("<b>EA</b>") to the ARMC on changes/ amendments to accounting standards;</li> <li>• Briefing by DMS Corporate Services Pte. Ltd., the corporate secretarial agent to the Board on the (i) amendments to the Companies Act (Phase 1), and (ii) amendments to the Listing Manual (Section B: Rules of Catalist) of the SGX-ST ("<b>Catalist Rules</b>");</li> <li>• Attendance of seminar, namely, "ACRA-SGX-SID Audit Committee Seminar – Raising the bar for Financial Reporting" conducted by the Accounting and Corporate Regulatory Authority ("<b>ACRA</b>"), SGX-ST and the Singapore Institute of Directors ("<b>SID</b>") as well as several courses conducted by The Hong Kong Institute of Directors, CPA, and BMI Professional Training Centre Limited.</li> </ul>

## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
<b>Board Composition and Guidance</b>		
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.	In view that the Chairman is part of the management team and is not an independent director, Guideline 2.2 of the Code is met as the Independent Directors make up at least half of the Board as at 31 December 2015 and 1 April 2016. Mrs. Jessie Ho has also been appointed as the Lead Independent Director of the Company and makes herself available to shareholders at the Company's general meetings and through the Joint Company Secretaries.
2.3 4.3	Has the independence of the Independent Directors been reviewed in the last financial year?	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 2016.
	(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 or her not to be independent.
	(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	Not applicable.

## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																																				
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 have served beyond nine years since the date of his/her first appointment.																																				
2.6	<p>(a) What is the Board's policy with regard to diversity in identifying director nominees?</p> <p>(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.</p>	<p>The Board's policy in identifying director nominees is primarily to have an appropriate mix of Board members with complementary skills, core competencies and experience for the Group and it also takes cognizance on gender diversity.</p> <p>The current Board composition as at 1 April 2016 provides a diversity of skills, experience, gender and knowledge to the Company as follows:</p> <table> <tr> <th colspan="3"><b>Table 2.6 – Balance and Diversity of the Board</b></th></tr> <tr> <th></th><th><b>Number of Directors</b></th><th><b>Proportion of Board</b></th></tr> <tr> <td><b>Core Competencies</b></td><td></td><td></td></tr> <tr> <td>– Accounting or finance</td><td>3</td><td>60%</td></tr> <tr> <td>– Business management</td><td>5</td><td>100%</td></tr> <tr> <td>– Legal or corporate governance</td><td>2</td><td>40%</td></tr> <tr> <td>– Relevant industry knowledge or experience</td><td>2</td><td>40%</td></tr> <tr> <td>– Strategic planning experience</td><td>5</td><td>100%</td></tr> <tr> <td>– Customer based experience or knowledge</td><td>1</td><td>20%</td></tr> <tr> <td><b>Gender</b></td><td></td><td></td></tr> <tr> <td>– Male</td><td>3</td><td>60%</td></tr> <tr> <td>– Female</td><td>2</td><td>40%</td></tr> </table>	<b>Table 2.6 – Balance and Diversity of the Board</b>				<b>Number of Directors</b>	<b>Proportion of Board</b>	<b>Core Competencies</b>			– Accounting or finance	3	60%	– Business management	5	100%	– Legal or corporate governance	2	40%	– Relevant industry knowledge or experience	2	40%	– Strategic planning experience	5	100%	– Customer based experience or knowledge	1	20%	<b>Gender</b>			– Male	3	60%	– Female	2	40%
<b>Table 2.6 – Balance and Diversity of the Board</b>																																						
	<b>Number of Directors</b>	<b>Proportion of Board</b>																																				
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## 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?	<p>The Board has taken the following steps to maintain or enhance its balance and diversity:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• 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.</li> </ul> <p>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.</p>
2.8	Have the Non-Executive Directors met in the absence of key management personnel in the last financial year?	The Non-Executive Directors have met once in the absence of key management personnel in February 2016.

## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
<b>Chairman and Chief Executive Officer</b>		
3.1	Are the duties between Chairman and CEO segregated?	<p>Since 8 March 2016, Mr. Charles Spackman has assumed the roles of the Executive Chairman and the acting Chief Executive Officer ("CEO") of the Company. Although the roles of the Chairman and the acting CEO are not segregated, the ARMC, RC, and NC are chaired by independent directors. His performance and remuneration are reviewed periodically by the NC and RC.</p> <p>In addition, Mrs. Jessie Ho has been appointed as the Lead Independent Director of the Company and is available to shareholders should they have concerns, which cannot be resolved through the normal channel of the Chairman or for which such contact is inappropriate. Further, at least half of the Board are made up of Independent Directors of the Company. Hence, the Board is of the view that there are adequate safeguards and checks in place to ensure that the decision making process by the Board remains independent and based on collective decision making without Mr. Charles Spackman being able to exercise significant influence.</p> <p>As Executive Chairman and acting CEO, Mr. Charles Spackman oversees the business of the Board and sets the overall strategic direction of the Group. He leads the Board discussions and ensures that Board meetings are convened when necessary. He sets the Board's meeting agenda and ensures the quality, quantity and timeliness of the flow of information between the Board and key management personnel to facilitate efficient decision making. He is also, for the time being, responsible for developing the businesses of the Group and manages the day-to-day operations with the assistance of key management personnel. He also oversees the execution of the business and corporate strategy decisions made by the Board.</p>
3.4	Have the Independent Directors met in the absence of the other Directors?	The Independent Directors have met once in the absence of the other Directors in FY2015.

# CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
<b>Board Membership</b>		
4.1	What are the duties of the NC?	<p>The NC is guided by key terms of reference as follows:</p> <ul style="list-style-type: none"> <li>(a) Reviewing and recommending candidates for appointments to the Board and Board Committees;</li> <li>(b) Reviewing and approving any new employment of related persons and proposed terms of their employment;</li> <li>(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;</li> <li>(d) Determining on an annual basis whether or not a Director of the Company is independent;</li> <li>(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;</li> <li>(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;</li> <li>(g) Recommending to the Board the review of board succession plans for the Company's Directors, in particular, for the Chairman and the Chief Executive Officer;</li> <li>(h) Reviewing training and professional development programs for the Board;</li> <li>(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</li> <li>(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.</li> </ul>

## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
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?	<p>The Board has set the maximum number of listed company board representations as 6.</p> <p>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.</p>
	(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?	<p>The considerations in assessing the capacity of Directors include the following:</p> <ul style="list-style-type: none"> <li>• Expected and/or competing time commitments of Directors;</li> <li>• Geographical location of Directors;</li> <li>• Size and composition of the Board; and</li> <li>• Nature and scope of the Group's operations and size.</li> </ul>
	(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, and is satisfied that all Directors have discharged their duties adequately for FY2015.
4.5	Are there alternate Directors?	The Company does not have any alternate directors to the existing Directors of the Company.



# 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.	<p><b>Table 4.6(a) – Process for the Selection and Appointment of New Directors</b></p> <table> <tr> <td>1.</td><td>Determination of selection criteria</td><td> <ul style="list-style-type: none"> <li>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.</li> </ul> </td></tr> <tr> <td>2.</td><td>Search for suitable candidates</td><td> <ul style="list-style-type: none"> <li>The NC would consider candidates proposed by the Directors, key management personnel or substantial shareholders, and may engage external search consultants where necessary.</li> </ul> </td></tr> <tr> <td>3.</td><td>Assessment of shortlisted candidates</td><td> <ul style="list-style-type: none"> <li>The NC would meet and interview the shortlisted candidates to assess their suitability.</li> </ul> </td></tr> <tr> <td>4.</td><td>Appointment of director</td><td> <ul style="list-style-type: none"> <li>The NC would recommend the selected candidate to the Board for consideration and approval.</li> </ul> </td></tr> </table> <p><b>Table 4.6(b) – Process for the Re-electing Incumbent Directors</b></p> <table> <tr> <td>1.</td><td>Assessment of director</td><td> <ul style="list-style-type: none"> <li>The NC would assess the performance of the director in accordance with the performance criteria set by the Board; and</li> <li>The NC would also consider the current needs of the Board.</li> </ul> </td></tr> <tr> <td>2.</td><td>Re-election of director</td><td> <ul style="list-style-type: none"> <li>Subject to the NC's satisfactory assessment, the NC would recommend the retiring director for re-election to the Board for its consideration and approval.</li> </ul> </td></tr> </table>	1.	Determination of selection criteria	<ul style="list-style-type: none"> <li>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.</li> </ul>	2.	Search for suitable candidates	<ul style="list-style-type: none"> <li>The NC would consider candidates proposed by the Directors, key management personnel or substantial shareholders, and may engage external search consultants where necessary.</li> </ul>	3.	Assessment of shortlisted candidates	<ul style="list-style-type: none"> <li>The NC would meet and interview the shortlisted candidates to assess their suitability.</li> </ul>	4.	Appointment of director	<ul style="list-style-type: none"> <li>The NC would recommend the selected candidate to the Board for consideration and approval.</li> </ul>	1.	Assessment of director	<ul style="list-style-type: none"> <li>The NC would assess the performance of the director in accordance with the performance criteria set by the Board; and</li> <li>The NC would also consider the current needs of the Board.</li> </ul>	2.	Re-election of director	<ul style="list-style-type: none"> <li>Subject to the NC's satisfactory assessment, the NC would recommend the retiring director for re-election to the Board for its consideration and approval.</li> </ul>
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## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company’s Compliance or Explanation																												
4.7	Please provide Directors’ key information.	<p>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 in the section “Board of Directors” of this annual report. Additional details are also shown below.</p> <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>Charles Spackman</td><td>20 June 2014</td><td>21 April 2015</td><td>Spackman Equities Group Inc.</td></tr><tr><td>Eugene Lee</td><td>20 June 2014</td><td>21 April 2015</td><td>Nil</td></tr><tr><td>Jessie Ho</td><td>10 January 2014</td><td>21 April 2015</td><td>Nil</td></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>Ng Hong Whee</td><td>20 June 2014</td><td>21 April 2015</td><td>Imperium Crown Limited Sincap Group Limited</td></tr></table> <p>Ms. Eugene Lee and Mrs. Jessie Ho 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, Ms. Eugene Lee will remain as an Executive Director and Chief Producer of the Company, while Mrs. Jessie Ho will remain as the Lead Independent Director of the Company, Chairman of the NC and a member of the ARMC and RC. Mrs. Jessie Ho will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.</p> <p>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.</p>	Table 4.7 – Directorship Additional Details				Name	Initial Appointment Date	Date of last re-election	Directorships held in the past 3 years	Charles Spackman	20 June 2014	21 April 2015	Spackman Equities Group Inc.	Eugene Lee	20 June 2014	21 April 2015	Nil	Jessie Ho	10 January 2014	21 April 2015	Nil	Anthony Wong	20 June 2014	21 April 2015	China Public Procurement Limited	Ng Hong Whee	20 June 2014	21 April 2015	Imperium Crown Limited Sincap Group Limited
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Guideline	Code and/or Guide Description	Company's Compliance or Explanation												
<b>Board Performance</b>														
5.1 5.2 5.3	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?	<p>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:</p> <table> <tr> <th colspan="3"><b>Table 5</b></th></tr> <tr> <th><b>Performance Criteria</b></th><th><b>Board and Board Committees</b></th><th><b>Individual Directors</b></th></tr> <tr> <td><b>Qualitative</b></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><b>Quantitative</b></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>	<b>Table 5</b>			<b>Performance Criteria</b>	<b>Board and Board Committees</b>	<b>Individual Directors</b>	<b>Qualitative</b>	1. Size and composition 2. Access to information 3. Board processes 4. Strategic planning 5. Board accountability 6. Risk management 7. Succession planning	1. Commitment of time 2. Knowledge and abilities 3. Teamwork 4. Independence (if applicable) 5. Overall effectiveness	<b>Quantitative</b>	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	1. Attendance at Board and Board Committee meetings
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## 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?	<p>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.</p> <p>The Company had conducted its review in February 2016 and the process was as follows:</p> <ol style="list-style-type: none"> <li>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;</li> <li>2. One of the Company Secretaries collated and submitted the questionnaire results to the NC Chairman in the form of a report; and</li> <li>3. The NC discussed the report and concluded the performance results during the NC meeting.</li> </ol> <p>All NC members have abstained from the voting or review process of any matters in connection with the assessment of his/her performance.</p> <p>No external facilitator was used in the evaluation process.</p>
	(b) Has the Board met its performance objectives?	Yes, the Board has met its performance objectives.



# CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																								
<b>Access to Information</b>																										
6.1 10.3	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?	<p><b>Table 6 – Types of information provided by key management personnel to Independent Directors</b></p> <table> <tr> <th></th><th>Information</th><th>Frequency</th></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<sup>(1)</sup></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> <p>Note: (1) The Management provides the management accounts on a monthly basis or when available.</p> <p>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.</p>		Information	Frequency	1.	Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)	Quarterly, and when necessary	2.	Updates to the Group's operations and the markets in which the Group operates in	Quarterly	3.	Budgets and/or forecasts (with variance analysis)	Quarterly	4.	Management accounts	Monthly <sup>(1)</sup>	5.	Reports on on-going or planned corporate actions	Quarterly, and when necessary	6.	EA report(s) and Internal auditors' ("IA") report(s)	Annually	7.	Research report(s)	Quarterly
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## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
6.3	What is the role of the Company Secretary?	<p>The key roles of the Joint Company Secretaries, the appointment and removal of whom is a matter for the Board as a whole, are as follows:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Assisting the Chairman and the Board to implement and strengthen corporate governance practices, with a view to enhancing long-term shareholder value;</li> <li>• Assisting the Chairman to ensure good information flows within the Board and its Board committees and key management personnel of the Group;</li> <li>• Facilitating orientation and assisting with professional development as required;</li> <li>• Training, designing and implementing a framework for key management personnel's compliance with the Catalist Rules, including timely disclosure of material information;</li> <li>• Attending and preparing minutes for all Board and Board Committee meetings;</li> <li>• As secretary to all the other Board Committees, the Company Secretary assists to ensure coordination and liaison between the Board, the Board Committees and key management personnel; and</li> <li>• 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.</li> </ul>

# CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
<b>REMUNERATION MATTERS</b>		
<b>Developing Remuneration Policies</b>		
7.1	What is the role of the RC?	<p>The RC is guided by key terms of reference as follows:</p> <ul style="list-style-type: none"> <li>(a) Review and recommend to the Board a general framework of remuneration and specific remuneration packages for each Director and key management personnel;</li> <li>(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;</li> <li>(c) Reviewing the on-going appropriateness and relevance of the executive remuneration policy and other benefit programs;</li> <li>(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;</li> <li>(e) Considering and approving termination payments, retirement payments, gratuities, ex-gratia payments, severance payments and other similar payments to key management personnel;</li> <li>(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;</li> <li>(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</li> <li>(h) To administer the Spackman Entertainment Group Limited Employee Share Option Scheme.</li> </ul>

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7.3	Were remuneration consultants engaged in the last financial year?	No remuneration consultants were engaged by the Company in FY2015.																																																
Disclosure on Remuneration																																																		
9	What is the Company's remuneration policy?	The Company's remuneration policy 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.																																																
9.1 9.2	Has the Company disclosed each Director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	<p>The breakdown for the remuneration of the Director for FY2015 is as follows:</p> <table><tr><th colspan="6">Table 9.2 – Remuneration of Directors</th></tr><tr><th>Name</th><th>Remuneration band<sup>(1)</sup></th><th>Salary (%)</th><th>Bonus (%)</th><th>Directors fee (%)</th><th>Total (%)</th></tr><tr><td>Charles Spackman</td><td>A</td><td>100</td><td>–</td><td>–</td><td>100</td></tr><tr><td>Tae Hun Lee<sup>(2)</sup></td><td>B</td><td>100</td><td>–</td><td>–</td><td>100</td></tr><tr><td>Eugene Lee</td><td>B</td><td>100</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>100</td></tr><tr><td>Anthony Wong</td><td>A</td><td>–</td><td>–</td><td>100</td><td>100</td></tr><tr><td>Ng Hong Whee</td><td>A</td><td>–</td><td>–</td><td>100</td><td>100</td></tr></table> <p>Notes:</p> <p>(1) Remuneration bands:</p> <p>“A” refers to remuneration of up to S\$250,000 per annum.</p> <p>“B” refers to remuneration from S\$250,001 to S\$500,000 per annum.</p> <p>(2) Tae Hun Lee ceased as Executive Director and Chief Executive Officer of the Company with effect from 8 March 2016.</p> <p>No Directors received any stock options for FY2015.</p> <p>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.</p> <p>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 FY2015.</p>	Table 9.2 – Remuneration of Directors						Name	Remuneration band <sup>(1)</sup>	Salary (%)	Bonus (%)	Directors fee (%)	Total (%)	Charles Spackman	A	100	–	–	100	Tae Hun Lee <sup>(2)</sup>	B	100	–	–	100	Eugene Lee	B	100	–	–	100	Jessie Ho	A	–	–	100	100	Anthony Wong	A	–	–	100	100	Ng Hong Whee	A	–	–	100	100
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## CORPORATE GOVERNANCE REPORT

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9.3	(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?	<p>The breakdown for the remuneration of the Group's top 5 key management personnel (who are not Directors or the CEO) for FY2015 is as follows:</p> <table><tr><th colspan="6">Table 9.3 – Remuneration of Key Management Personnel</th></tr><tr><th>Name</th><th>Remuneration band<sup>(1)</sup></th><th>Salary (%)</th><th>Bonus (%)</th><th>Others<sup>(2)</sup> (%)</th><th>Total (%)</th></tr><tr><td>Kyoungwon Na (Kay Na)</td><td>A</td><td>100</td><td>–</td><td>–</td><td>100</td></tr><tr><td>Richard Lee</td><td>A</td><td>100</td><td>–</td><td>–</td><td>100</td></tr><tr><td>Jung Hyun Lee</td><td>A</td><td>100</td><td>–</td><td>–</td><td>100</td></tr><tr><td>Eun Ja Kim</td><td>A</td><td>71</td><td>29</td><td>–</td><td>100</td></tr><tr><td>Grace Teo</td><td>A</td><td>68</td><td>23</td><td>9</td><td>100</td></tr></table> <p>Notes:</p> <p>(1) Remuneration band "A" refers to remuneration of up to S\$250,000 per annum.</p> <p>(2) Others refer to defined contribution benefits. Please refer to note 8 of the financial statements on page 77 of the annual report for further details.</p> <p>No key management personnel received any stock options for FY2015.</p>	Table 9.3 – Remuneration of Key Management Personnel						Name	Remuneration band <sup>(1)</sup>	Salary (%)	Bonus (%)	Others <sup>(2)</sup> (%)	Total (%)	Kyoungwon Na (Kay Na)	A	100	–	–	100	Richard Lee	A	100	–	–	100	Jung Hyun Lee	A	100	–	–	100	Eun Ja Kim	A	71	29	–	100	Grace Teo	A	68	23	9	100
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Grace Teo	A	68	23	9	100																																							
	(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).	<p>The total remuneration paid to the top 5 key management personnel for FY2015 was US\$391,089.</p>																																										
9.4	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.	<p>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 FY2015.</p>																																										

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Guideline	Code and/or Guide Description	Company's Compliance or Explanation
9.5	Please provide details of the employee share scheme(s).	<p>The Company has adopted a share option scheme known as the "Spackman Entertainment Group Limited Employee Share Option Scheme" on 20 June 2014 ("<b>Scheme</b>").</p> <p>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, <i>inter alia</i>, 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.</p> <p>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).</p> <p>The Scheme is administered by the RC ("<b>Administration Committee</b>"). 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.</p> <p>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.</p>

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Guideline	Code and/or Guide Description	Company's Compliance or Explanation												
9.6	(a) Please describe how the remuneration received by Executive Directors and key management personnel has been determined by the performance criteria.	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 FY2015. 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.												
	(b) What were the performance conditions used to determine their entitlement under the short term and long term incentive schemes?	<div>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:</div> <table><tr><th colspan="3">Table 9.6(b)</th></tr><tr><th>Performance Conditions</th><th>Short-term Incentives (such as performance bonus)</th><th>Long-term Incentives (such as the Scheme)</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 2. Improvement in the Company's share price over a 3-year period vis-à-vis the FTSE Straits Times Index</td></tr></table>	Table 9.6(b)			Performance Conditions	Short-term Incentives (such as performance bonus)	Long-term Incentives (such as the Scheme)	Qualitative	1. Leadership 2. People development 3. Commitment 4. Teamwork 5. Current market and industry practices	1. Current market and industry practices	Quantitative	1. Return on equity 2. Relative financial performance of the Group to its industry peers for that particular financial year under assessment	1. Relative financial performance of the Group to its industry peers over a 3-year period 2. Improvement in the Company's share price over a 3-year period vis-à-vis the FTSE Straits Times Index
	Table 9.6(b)													
Performance Conditions	Short-term Incentives (such as performance bonus)	Long-term Incentives (such as the Scheme)												
Qualitative	1. Leadership 2. People development 3. Commitment 4. Teamwork 5. Current market and industry practices	1. Current market and industry practices												
Quantitative	1. Return on equity 2. Relative financial performance of the Group to its industry peers for that particular financial year under assessment	1. Relative financial performance of the Group to its industry peers over a 3-year period 2. Improvement in the Company's share price over a 3-year period vis-à-vis the FTSE Straits Times Index												
(c) Were all of these performance conditions met? If not, what were the reasons?	In view that the Group reported a net loss for FY2015, the quantitative performance conditions have not been met. Save for the aforementioned, the remaining conditions were satisfied.													

# CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
<b>ACCOUNTABILITY AND AUDIT</b>		
<b>Risk Management and Internal Controls</b>		
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.	<p>The Board is of the view that the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective for FY2015.</p> <p>The bases for the Board's view are as follows:</p> <ol style="list-style-type: none"> <li>1. Assurance has been received from the acting CEO and the CFO;</li> <li>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;</li> <li>3. Key management personnel regularly evaluates, monitors and reports to the ARMC on material risks; and</li> <li>4. Discussions were held between the ARMC and auditors in the absence of the key management personnel to review and address any potential concerns.</li> </ol> <p>The Company is gradually placing emphasis on sustainability and would implement appropriate policies and programmes when the opportunities arise.</p>
	(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?	<p>Yes, the Board has obtained such assurance from Mr. Charles Spackman, as the acting CEO of the Company, and CFO in respect of FY2015.</p> <p>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 Group's operations and finances.</p> <p>The Board has additionally relied on the IA reports in respect of our subsidiaries, namely, Opus Pictures Limited Liability Company, Zip Cinema Co., Ltd., Spackman Entertainment Korea Inc., UAA Korea Co., Ltd. and Film Auteur Co., Ltd., which were issued to the Company in February 2016 as assurances that the Group's risk management and internal control systems are effective.</p>



## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
<b>Audit and Risk Management Committee</b>		
12.1 12.4	What is the role of the ARMC?	<p>The ARMC is guided by the following key terms of reference:</p> <ul style="list-style-type: none"> <li>(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;</li> <li>(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 Catalyst Rules and any other relevant statutory or regulatory requirements;</li> <li>(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);</li> <li>(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;</li> <li>(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;</li> <li>(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;</li> <li>(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;</li> </ul>

## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		<p>(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;</p> <p>(i) Reviewing and approving transactions (if any) falling within the scope of Chapter 9 and Chapter 10 of the Catalist Rules;</p> <p>(j) Reviewing potential conflicts of interest (if any) and to set out a framework to resolve or mitigate any potential conflicts of interests;</p> <p>(k) Reviewing and approving all hedging policies and instruments (if any) to be implemented by the Group;</p> <p>(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;</p> <p>(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;</p> <p>(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;</p> <p>(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> <p>(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</p> <p>(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.</p>
12.5	Has the ARMC met with the auditors in the absence of key management personnel?	Yes, the ARMC has met with the IA and the external auditors ("EA") once in the absence of key management personnel in February 2016.

## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation		
12.6	Has the ARMC reviewed the independence of the EA?	The ARMC has reviewed the non-audit services provided by the EA and is satisfied that the nature and extent of such services would not prejudice the independence of the EA, and has recommended the re-appointment of the EA at the forthcoming AGM.		
	(a) Please provide a breakdown of the fees paid in total to the EA for audit and non-audit services for the financial year.	<b>Table 12.6(a) – Fees Paid/Payable to the EA for FY2015</b>		
			<b>US\$</b>	<b>% of total</b>
		<b>Audit fees</b>	56,527	100
		<b>Non-audit fees</b>	–	–
<b>Total</b>	<b>56,527</b>	<b>100</b>		
	(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.	The non-audit services rendered during FY2015 were not substantial.		
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.		

# CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
<b>Internal Audit</b>		
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 Nexia TS Risk Advisory Pte Ltd (" <b>Nexia</b> ") 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 ARMC is satisfied that Nexia is adequately qualified (given, <i>inter alia</i> , its adherence to standards set by internationally recognised professional bodies) and resourced, and has the appropriate standing in the Company to discharge its duties effectively.
<b>SHAREHOLDER RIGHTS AND RESPONSIBILITIES</b>		
<b>Communication with Shareholders</b>		
15.2 15.3 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?	<p>The Company solicits feedback and addresses the concerns of shareholders via the following:</p> <ul style="list-style-type: none"> <li>• a dedicated external investor relations team whose contact details can be found on our corporate website at <a href="http://www.spackmanentertainmentgroup.com">www.spackmanentertainmentgroup.com</a> or the back inside cover of the annual report;</li> <li>• investor and analyst briefings; and</li> <li>• investor roadshows.</li> </ul> <p>The Company held several investor briefings in FY2015 to meet with its institutional and retail investors.</p>
	(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	Yes, the Company has a dedicated external investor relations team.
	(c) 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 <a href="http://www.spackmanentertainmentgroup.com">www.spackmanentertainmentgroup.com</a> .

## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
15.5	Does the Company have a dividend policy?	The Company does not have a fixed dividend policy. Nonetheless, key management personnel will review, <i>inter alia</i> , 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 FY2015, as the Company was not profitable for FY2015.
<b>CONDUCT OF SHAREHOLDER MEETINGS</b>		
16.1 16.3 16.4 16.5	How are the general meetings of shareholders conducted?	<p>The Company's Constitution allows for abstentia voting.</p> <p>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.</p> <p>All resolutions are put to vote by poll, and their detailed results will be announced via SGXNET after the conclusion of the general meeting.</p> <p>All minutes of general meetings will made available to shareholders upon their request.</p>



## 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 FY2015 or if not then subsisting, entered into since the end of the previous financial year.
1204(10)	Confirmation of adequacy of internal controls	<p>The Board and the ARMC are of the opinion that the internal controls are adequate to address the financial, operational and compliance risks based on the following:</p> <ul style="list-style-type: none"> <li>• internal controls established by the Company;</li> <li>• work performed by the IA and EA;</li> <li>• assurance from the acting CEO and CFO; and</li> <li>• review performed by the various Board Committees and key management personnel.</li> </ul> <p>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.</p>

# CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH APPLICABLE CATALIST RULES											
Catalist Rule	Rule Description	Company's Compliance or Explanation									
1204(17)	Interested Persons Transaction ("IPT")	<p>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.</p> <p>The Group has not obtained a general mandate from shareholders for interested person transactions.</p> <p>The aggregate value of interested person transactions during FY2015 is as follows:</p> <table> <tr> <th>Name of interested person</th><th>Aggregate value of all interested person transactions for FY2015 (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S\$'000</th><th>Aggregate value of all interested person transactions for FY2015 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) S\$'000</th></tr> <tr> <td>Spackman Equities Group Inc.<sup>(1)</sup></td><td>130<sup>(2)</sup></td><td>Not applicable</td></tr> <tr> <td>Tae Hun Lee<sup>(3)</sup></td><td>188<sup>(4)</sup></td><td>Not applicable</td></tr> </table> <p>Notes:</p> <p>(1) Spackman Equities Group Inc. is a controlling shareholder of the Company with an approximate shareholding interest of 38.77% in the Company.</p> <p>(2) This relates to the rental payable under the sublease agreement dated 16 June 2014 with Spackman Equities Group Inc. pursuant to which the Company's wholly-owned subsidiary, Spackman Entertainment (HK) Limited ("SEG (HK)"), agreed to pay half the rent and associated costs and fees for the office space in Hong Kong, which SEG (HK) had sub-leased from Spackman Equities Group Inc.</p> <p>(3) Tae Hun Lee was the Company's Executive Director and Chief Executive Officer during FY2015, and he ceased as Executive Director and Chief Executive Officer of the Company with effect from 8 March 2016.</p> <p>(4) S\$120,247 relates to an interest bearing loan of KRW 100.0 million at an interest rate of 6.9% per annum granted by the Company's indirect wholly-owned subsidiary, Opus Pictures Limited Liability Company, to Opus Press Limited Liability Company, which is wholly-owned by Tae Hun Lee. The remaining amount of S\$67,494 relates to a purchase of a vehicle by Opus Pictures Limited Liability Company for a consideration of KRW56.13 million from Tae Hun Lee.</p>	Name of interested person	Aggregate value of all interested person transactions for FY2015 (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S\$'000	Aggregate value of all interested person transactions for FY2015 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) S\$'000	Spackman Equities Group Inc. <sup>(1)</sup>	130 <sup>(2)</sup>	Not applicable	Tae Hun Lee <sup>(3)</sup>	188 <sup>(4)</sup>	Not applicable
Name of interested person	Aggregate value of all interested person transactions for FY2015 (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S\$'000	Aggregate value of all interested person transactions for FY2015 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) S\$'000									
Spackman Equities Group Inc. <sup>(1)</sup>	130 <sup>(2)</sup>	Not applicable									
Tae Hun Lee <sup>(3)</sup>	188 <sup>(4)</sup>	Not applicable									

# CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH APPLICABLE CATALIST RULES																																			
Catalist Rule	Rule Description	Company's Compliance or Explanation																																	
1204(19)	Dealing in Securities	<p>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.</p> <p>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 and ending on the date of the announcement of the relevant results.</p>																																	
1204(21)	Non-sponsor fees	For FY2015, the Company paid to its sponsor, PrimePartners Corporate Finance Pte. Ltd., non-sponsor fees of S\$20,000.																																	
1204(22)	Use of IPO Proceeds	<p>The Company refers to the gross proceeds amounting to S\$13.00 million raised from the IPO on the Catalist Board of the SGX-ST on 22 July 2014.</p> <p>The status on the use of IPO proceeds in Singapore dollars as at 1 April 2016 is as follows:</p> <table> <tr> <th></th><th>Amount allocated after the Reallocations<sup>(1)</sup> (S\$'000)</th><th>Amount utilised (S\$'000)</th><th>Amount unutilised (S\$'000)</th></tr> <tr> <td><b>Use of IPO Proceeds</b></td><td></td><td></td><td></td></tr> <tr> <td>Investment into films produced by the Group or third parties</td><td>1,700<sup>(1)</sup></td><td>1,200</td><td>500</td></tr> <tr> <td>Expansion of the Group's operations via acquisitions, joint ventures and investments</td><td>4,800</td><td>4,723</td><td>77</td></tr> <tr> <td>Establishment of overseas offices</td><td>500</td><td>440</td><td>60</td></tr> <tr> <td>General working capital</td><td>3,837<sup>(1)</sup></td><td>3,800<sup>(2)</sup></td><td>37</td></tr> <tr> <td>IPO expenditure</td><td>2,163</td><td>2,163</td><td>–</td></tr> <tr> <td><b>Total</b></td><td><b>13,000</b></td><td><b>12,326</b></td><td><b>674</b></td></tr> </table> <p>Notes:</p> <p>(1) Please refer to the Company's announcements dated 9 January 2015, 11 May 2015 and 26 February 2016 on the previous reallocations of net IPO proceeds which were made. In addition, the Company has reallocated S\$0.5 million of the net proceeds initially allocated for the investment into films produced by the Group or third parties for its working capital purposes as the Company has no immediate and definite plans to use a significant portion of the allocated net proceeds for investment into films at this juncture (the "Reallocations").</p> <p>(2) The Company has reallocated S\$336,552 allocated for general working capital for the payment of IPO related expenses. The remaining S\$3,463,803 has been utilised for payment to suppliers (S\$1,077,082), payment of salary and director's fees (S\$1,258,735), professional service fees (S\$546,793) and others (S\$581,193).</p>			Amount allocated after the Reallocations <sup>(1)</sup> (S\$'000)	Amount utilised (S\$'000)	Amount unutilised (S\$'000)	<b>Use of IPO Proceeds</b>				Investment into films produced by the Group or third parties	1,700 <sup>(1)</sup>	1,200	500	Expansion of the Group's operations via acquisitions, joint ventures and investments	4,800	4,723	77	Establishment of overseas offices	500	440	60	General working capital	3,837 <sup>(1)</sup>	3,800 <sup>(2)</sup>	37	IPO expenditure	2,163	2,163	–	<b>Total</b>	<b>13,000</b>	<b>12,326</b>	<b>674</b>
	Amount allocated after the Reallocations <sup>(1)</sup> (S\$'000)	Amount utilised (S\$'000)	Amount unutilised (S\$'000)																																
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## DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2015.

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 49 to 108 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 2015 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 Singapore Companies Act and Singapore Financial Reporting Standards; 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:

Charles Choi Spackman ("Charles Spackman")  
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:

Name of director	Number of ordinary shares Shareholdings registered in the name of director	
	At 1.1.2015	At 31.12.2015
Eugene Lee	23,160,000	23,160,000

The director's interests in ordinary shares and share options of the Company as at 21 January 2016 were the same as those as at 31 December 2015.

## 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 COMMITTEE

The members of the Audit Committee during the year and at the date of this report are:

Anthony Wong (Chairman)  
Jessie Ho  
Ng Hong Whee

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

In performing its functions, the Audit Committee 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 Audit Committee also reviewed the following:

- (a) review 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) 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 internal and external 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 Financial Officer and the internal and external auditors, including financial, operational, compliance and information technology controls via review carried out by the internal auditors;
- (e) review and discuss 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;

## DIRECTORS' STATEMENT

### AUDIT COMMITTEE (CONT'D)

- (f) review 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) review significant financial reporting issues and judgments with the Chief Financial Officer 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) 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 Audit Committee;
- (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 Audit Committee is satisfied with the independence and objectivity of the independent auditors 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

Charles Spackman  
Director

Eugene Lee  
Director

Date  
8 April 2016

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SPACKMAN ENTERTAINMENT GROUP LIMITED

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Spackman Entertainment Group Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 49 to 108, which comprise the balance sheets of the Group and Company as at 31 December 2015, 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 financial year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the 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 Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

## INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SPACKMAN ENTERTAINMENT GROUP LIMITED

### 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.

Baker Tilly TFW LLP  
Public Accountants and  
Chartered Accountants  
Singapore

Date  
8 April 2016

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 USD	2014 USD (Restated)
<b>Continuing operations</b>			
Revenue	4	17,767,894	15,599,451
Cost of sales		(9,926,072)	(15,552,957)
Gross profit		7,841,822	46,494
Other income	5	715,824	966,037
<b>Expenses</b>			
Selling expenses		(392,730)	(670,097)
General and administrative expenses		(5,632,919)	(6,301,472)
Finance costs	6	(76,030)	(104,933)
Other expenses	7	(4,822,951)	(1,454,881)
Share of results of associate	18	1,246,618	–
<b>Loss before tax</b>	7	(1,120,366)	(7,518,852)
Tax expense	9	(391,424)	(561,842)
<b>Loss from continuing operations</b>		(1,511,790)	(8,080,694)
Profit from discontinued operation, net of tax	10	238,657	–
<b>Loss for the year</b>		(1,273,133)	(8,080,694)
<b>Other comprehensive loss</b>			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Currency translation differences arising from consolidation		(564,421)	(258,949)
Share of other comprehensive loss of associate		(146,628)	–
		(711,049)	(258,949)
<b>Total comprehensive loss for the year</b>		(1,984,182)	(8,339,643)
<b>Loss attributable to:</b>			
Equity holders of the Company		(1,114,077)	(7,980,783)
Non-controlling interests		(159,056)	(99,911)
<b>Loss for the year</b>		(1,273,133)	(8,080,694)
<b>Total comprehensive loss attributable to:</b>			
Equity holders of the Company		(1,706,236)	(8,238,166)
Non-controlling interests		(277,946)	(101,477)
		(1,984,182)	(8,339,643)
<b>Loss per share for loss attributable to equity holders of the Company (cents per share)</b>			
<b>Basic and diluted</b>			
From continuing and discontinued operation	11	(0.28)	(2.02)
From continuing operations	11	(0.31)	(2.02)
From discontinued operation	11	0.03	–

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

# BALANCE SHEETS

AT 31 DECEMBER 2015

		Group		Company	
	Note	2015 USD	2014 USD (Restated)	2015 USD	2014 USD
<b>Non-current assets</b>					
Property, plant and equipment	12	3,337,769	903,037	13,712	599
Intangible assets	13	840,586	3,402,955	–	–
Investment in subsidiaries	17	–	–	16,245,427	14,635,097
Investment in associated company	18	3,577,373	–	2,477,383	–
Film production inventories	14	1,762,255	1,682,680	–	–
Deferred tax assets	15	–	335,543	–	–
Long-term investment	19	59,727	–	–	–
Long-term loan to a subsidiary	16	–	–	–	1,900,000
<b>Total non-current assets</b>		<b>9,577,710</b>	<b>6,324,215</b>	<b>18,736,522</b>	<b>16,535,696</b>
<b>Current assets</b>					
Film production inventories	14	6,671,824	1,428,014	–	–
Inventories		3,498	8,337	–	–
Investments	19	6,887,447	3,490,303	–	243,652
Loan to a subsidiary	16	–	–	1,733,163	–
Trade and other receivables	20	21,108,777	8,497,456	159,223	1,241,186
Cash and cash equivalents	21	4,114,235	12,176,169	823,614	4,471,821
		<b>38,785,781</b>	<b>25,600,279</b>	<b>2,716,000</b>	<b>5,956,659</b>
Disposal group assets classified as held for sale	10	8,947,813	–	–	–
<b>Total current assets</b>		<b>47,733,594</b>	<b>25,600,279</b>	<b>2,716,000</b>	<b>5,956,659</b>
<b>Total assets</b>		<b>57,311,304</b>	<b>31,924,494</b>	<b>21,452,522</b>	<b>22,492,355</b>
<b>Non-current liabilities</b>					
Borrowings	24	1,962,457	–	–	–
Other non-current liabilities		38,884	1,820	–	–
Deferred tax liabilities	15	307,432	115,456	–	–
<b>Total non-current liabilities</b>		<b>2,308,773</b>	<b>117,276</b>	<b>–</b>	<b>–</b>
<b>Current liabilities</b>					
Trade and other payables	22	15,704,708	9,738,980	163,315	249,640
Film obligations and production loans	25	10,226,109	646,303	–	–
Deferred revenue	23	3,832,763	2,875,252	–	–
Borrowings	24	3,122,868	1,237,264	–	–
		<b>32,886,448</b>	<b>14,497,799</b>	<b>163,315</b>	<b>249,640</b>
Liabilities directly associated with disposal group classified as held for sale	10	5,421,095	–	–	–
<b>Total current liabilities</b>		<b>38,307,543</b>	<b>14,497,799</b>	<b>163,315</b>	<b>249,640</b>
<b>Total liabilities</b>		<b>40,616,316</b>	<b>14,615,075</b>	<b>163,315</b>	<b>249,640</b>
<b>Net assets</b>		<b>16,694,988</b>	<b>17,309,419</b>	<b>21,289,207</b>	<b>22,242,715</b>

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

# BALANCE SHEETS

AT 31 DECEMBER 2015

		Group		Company	
	Note	2015 USD	2014 USD (Restated)	2015 USD	2014 USD
<b>Equity</b>					
Share capital	26	<b>25,019,233</b>	24,427,906	<b>25,019,233</b>	24,427,906
Other reserves	27	<b>(3,099,598)</b>	(2,714,583)	–	–
Accumulated losses		<b>(6,647,462)</b>	(5,533,385)	<b>(3,730,026)</b>	(2,185,191)
Reserve of disposal group classified as held for sale	10	<b>(207,144)</b>	–	–	–
Equity attributable to equity holders of the Company, total		<b>15,065,029</b>	16,179,938	<b>21,289,207</b>	22,242,715
Non-controlling interests		<b>1,629,959</b>	1,129,481	–	–
<b>Total equity</b>		<b>16,694,988</b>	17,309,419	<b>21,289,207</b>	22,242,715

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



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Group	Share capital USD	Other reserves USD	Accumulated losses USD	Reserve of disposal group classified as held for sale USD	Total USD	Non-controlling interests USD	Total equity USD
Balance at 1 January 2015 as previously reported	24,427,906	(2,714,583)	(5,533,385)	–	16,179,938	1,244,179	17,424,117
Prior year adjustment (note 34)	–	–	–	–	–	(114,698)	(114,698)
Balance at 1 January 2015 as restated	24,427,906	(2,714,583)	(5,533,385)	–	16,179,938	1,129,481	17,309,419
Loss for the year	–	–	(1,114,077)	–	(1,114,077)	(159,056)	(1,273,133)
Other comprehensive loss	–	–	–	–	–	–	–
Share of foreign currency translation difference of associate	–	(146,628)	–	–	(146,628)	–	(146,628)
Currency translation differences on consolidation	–	(445,531)	–	–	(445,531)	(118,890)	(564,421)
Total comprehensive loss for the year	–	(592,159)	(1,114,077)	–	(1,706,236)	(277,946)	(1,984,182)
Reserve attributable to disposal group classified as held for sale	–	207,144	–	(207,144)	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	778,424	778,424
Shares issued for acquisition of a subsidiary	591,327	–	–	–	591,327	–	591,327
<b>Balance at 31 December 2015</b>	<b>25,019,233</b>	<b>(3,099,598)</b>	<b>(6,647,462)</b>	<b>(207,144)</b>	<b>15,065,029</b>	<b>1,629,959</b>	<b>16,694,988</b>
Balance at 1 January 2014	1,790	6,497,672	2,448,009	–	8,947,471	44,000	8,991,471
Loss for the year	–	–	(7,980,783)	–	(7,980,783)	(99,911)	(8,080,694)
Other comprehensive loss	–	–	–	–	–	–	–
Currency translation differences on consolidation	–	(257,383)	–	–	(257,383)	(1,566)	(258,949)
Total comprehensive loss for the year	–	(257,383)	(7,980,783)	–	(8,238,166)	(101,477)	(8,339,643)
Transactions with equity holders of the Company	–	–	–	–	–	–	–
Issue of ordinary share upon incorporation	1	–	–	–	1	–	1
Transition to no-par-value regime in Hong Kong (note 26)	6,657,822	(6,657,822)	–	–	–	–	–
Issue of ordinary shares pursuant to restructuring exercise	7,884,229	(2,297,050)	(611)	–	5,586,568	1,186,958	6,773,526
Issue of ordinary shares pursuant to initial public offering	9,884,064	–	–	–	9,884,064	–	9,884,064
<b>Balance at 31 December 2014 (Restated)</b>	<b>24,427,906</b>	<b>(2,714,583)</b>	<b>(5,533,385)</b>	<b>–</b>	<b>16,179,938</b>	<b>1,129,481</b>	<b>17,309,419</b>

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

# STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Share capital USD	Accumulated losses USD	Total equity USD
<b>Company</b>			
Balance at 1 January 2015	24,427,906	(2,185,191)	22,242,715
Loss and total comprehensive loss for the year	–	(1,544,835)	(1,544,835)
Shares issued for acquisition of a subsidiary	591,327	–	591,327
<b>Balance at 31 December 2015</b>	<b>25,019,233</b>	<b>(3,730,026)</b>	<b>21,289,207</b>
Balance at 10 January 2014 (date of incorporation)	1	–	1
Loss and total comprehensive loss for the year	–	(2,185,191)	(2,185,191)
Issuance of ordinary shares pursuant to restructuring exercise	14,543,841	–	14,543,841
Issuance of ordinary shares through initial public offering	9,884,064	–	9,884,064
Balance at 31 December 2014	24,427,906	(2,185,191)	22,242,715

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 USD	2014 USD (Restated)
<b>Cash flows from operating activities</b>			
Loss before tax from continuing operations		(1,120,366)	(7,518,852)
Profit before tax from discontinued operation		436,253	–
Loss before tax, total		(684,113)	(7,518,852)
Adjustments for:			
Depreciation of property, plant and equipment	12	137,739	89,384
Interest income		(160,945)	(221,901)
Interest expense		76,030	104,933
Impairment loss on film production inventories	14	623,874	1,454,881
Share of results of associate		(1,246,618)	–
Amortisation of intangible assets	13	6,840	7,596
Fair value (gain)/loss on investment in insurance products		(1,571)	1,775
Impairment loss on investments		17,676	–
Fair value gain on investment in mutual funds		(4,071)	(7,492)
Allowance for doubtful debts		328,375	–
Reversal of allowance for doubtful debt		(44,190)	–
Property, plant and equipment written off		14,192	–
Profit on film distributable to external investors		4,199,077	–
Loss on film borne by external investors		–	(460,115)
Loss on disposal of property, plant and equipment		–	43,333
Write-off of acquired library		–	62,269
Operating loss before working capital changes		3,262,295	(6,444,189)
Change in operating assets and liabilities, net of effects from acquisition of subsidiaries:			
Investment in theatrical film projects, net		(39,116)	(574,125)
Inventories		4,476	(6,391)
Film production inventories		(6,253,670)	3,378,752
Receivables		(19,500,216)	(2,831,645)
Payables		6,127,437	(4,126,747)
Currency translation adjustments		(221,763)	(179,812)
<b>Cash used in operations</b>		(16,620,557)	(10,784,157)
Interest received		144,123	221,901
Income tax paid		(80,666)	(1,234,035)
<b>Net cash used in operating activities</b>		(16,557,100)	(11,796,291)
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property, plant and equipment		–	21,191
Purchases of property, plant and equipment	12	(2,782,741)	(305,720)
Purchases of intangible assets	13	(6,210)	(949)
Acquisition of a subsidiary	17	(498,538)	(390,365)
Acquisition of associate		(1,000,000)	–
Incorporation of a subsidiary		–	59,763
Purchases of insurance products		(102,357)	(56,114)
Purchases of short term investments		(3,281,509)	(2,115)
Proceeds from disposal of short term investments		989,312	–
Additional short term loans		(639,630)	–
Repayment of short term loans		1,254,300	–
<b>Net cash used in investing activities</b>		(6,067,373)	(674,309)

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	2015 USD	2014 USD (Restated)
<b>Cash flows from financing activities</b>		
Interest paid	(134,305)	(70,115)
Repayment of borrowings	(429,813)	(1,262,794)
Proceeds from borrowings	5,193,149	1,291,270
Issue of ordinary shares	–	14,135,630
Proceeds from film obligations and production loans	14,899,210	2,037,846
Payment of box office proceeds to investors	(2,802,666)	(412,443)
<b>Net cash generated from financing activities</b>	<b>16,725,575</b>	<b>15,719,394</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(5,898,898)</b>	<b>3,248,794</b>
Cash and cash equivalent at beginning of the financial year	12,176,169	9,214,152
Effect of exchange rate changes	(328,341)	(286,777)
<b>Cash and cash equivalents at end of the financial year</b>	<b>5,948,930</b>	<b>12,176,169</b>

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

	2015 USD	2014 USD
Cash and cash equivalents		
– Continuing operations (note 21)	4,114,235	12,176,169
– Discontinued operations (note 10)	1,834,695	–
	<b>5,948,930</b>	<b>12,176,169</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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 and principal place of business of the Company is at 16 Collyer Quay, #17-00, Singapore 049318.

The principal activity of the Company is an investment holding company. The principal activities of the subsidiaries are disclosed in note 17.

## 2 THE RESTRUCTURING EXERCISE

Prior to the listing of the Company, a restructuring exercise was conducted to streamline the corporate structure of the Group ("Restructuring Exercise").

- (a) Acquisition of Spackman Entertainment Korea Inc. ("SEKI") by Spackman Entertainment Group (HK) Limited ("SEG HK")

On 10 September 2013, SEG HK invested KRW1.00 billion into SEKI by subscribing for 200,000 common shares, or 50.25%, at par value of KRW5,000 per share. On 23 December 2013, SEG HK purchased the remaining 198,000 shares, or 49.75%, of SEKI that it did not already own for KRW5,000 per share (total of CAD880,000) in cash from Spackman Equities Group Inc. ("SEG"). As a result, SEG HK owns 100.00% of SEKI.

- (b) Acquisition of Spackman Equities Limited ("SEL") by SEG HK

On 11 September 2013, SEG HK purchased 100 shares, or 100.00%, of SEL from SEG for CAD 700,000 in cash. SEL is a non operating holding company that owns 7.00% of the outstanding equity of each of Zip Cinema Co., Ltd ("Zip") and Opus Pictures Limited Liability Company ("Opus").

- (c) Acquisition of shares in Upper West Inc. ("Upper West") from Zip and Opus

On 25 March 2014, Zip and Opus each sold 7,000 shares in Upper West to SEKI for KRW35,000,000 respectively. As a result, SEKI owns 83.15% of the issued share capital in Upper West.

- (d) Acquisition of SEG HK by the Company

Pursuant to a share swap agreement dated 12 June 2014 entered into among the Company and all of the then existing shareholders in SEG HK, the Company acquired the entire issued and paid-up share capital of SEG HK held by them, comprising an aggregate of 17,226 common shares for a total consideration of USD14,543,841, which was based on an unaudited net asset values of SEG HK and its subsidiaries on a consolidated basis as at 31 December 2013 of US\$8,991,471, as adjusted for (1) the conversion of the principal amount of US\$1,500,000 of convertible notes issued by SEG HK into 1,500 common shares in SEG HK effective 23 April 2014, and (2) US\$4,251,566 received from the net proceeds of the issuance of 1,776 common shares in SEG HK at US\$2,588 per share on 25 April 2014. The purchase consideration was satisfied by the issue and allotment of an aggregate of 17,226 shares in the capital of the Company ("Consideration Shares"), credited as fully paid-up and was arrived at on a willing buyer willing seller basis. The Consideration Shares were issued and allotted to all of the then existing shareholders in SEG HK in accordance with their percentage of beneficial interest in SEG HK immediately prior to the Company's acquisition of SEG HK.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The restructuring exercise involved companies which are under common control. The consolidated financial statements of the Group have been prepared in a manner similar to the “pooling-of-interest” method. Such manner of presentation reflects the economic substance of the combining companies as single economic enterprise, although the legal parent-subsidary relationship was not established until 12 June 2014.

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 Singapore Companies Act and Singapore Financial Reporting Standards (“FRS”). 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 FRS 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.

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 judgment 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 3(z) to the financial statements.

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.

In the current financial year, the Group has adopted all new and revised FRS and Interpretations of FRS (“INT FRS”) that are relevant to its operations and effective for the current financial year. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new/revised FRS and INT FRS did not have any material effect on the financial results or position of the Group and the Company for the financial year.

In the current financial year, the Group has reassessed that in film businesses where the Group acted as Presenter and Producer and was a principal for the Presenter’s role in the production of the film, funds received from external investors for specific film production projects were financing arrangements for the Group’s film production projects and the Group’s revenue for these projects would comprise the entire box office proceeds received from the distributor upon the film’s screening at movie theatres. This refinement in the Group’s revenue recognition and presentation in the statement of cash flows are disclosed in notes 3(f), 3(p) and 34(b) respectively.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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 2015 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 disclosed as follows:

#### *FRS 115 Revenue from Contracts with Customers*

FRS 115 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. FRS 115 provides a single, principle-based model to be applied to all contracts with customers. It provides guidance on whether revenue should be recognised at a point in time or over time, replacing the previous distinction between goods and services.

The standard introduces new guidance on specific circumstances where cost should be capitalised and new requirements for disclosure of revenue in the financial statements. The standard is effective for annual periods beginning on or after 1 January 2018. The Group will reassess its contracts with customers in accordance with FRS 115.

#### *FRS 109 Financial Instruments*

FRS 109 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. FRS 109, when effective will replace FRS 39 Financial Instruments: Recognition and Measurement. This standard is effective for annual periods beginning on or after 1 January 2018. The Group will reassess the potential impact of FRS 109 and plans to adopt the standard on the required effective date.

### (b) Basis of consolidation

#### **Pooling of interest**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. 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.

The financial statements of the Group were prepared by applying the pooling of interest method as the restructuring exercise as described in Note 2 is a legal reorganisation of entities under common control. Under this method, the Company has been treated as the holding company of the subsidiaries for the financial year presented rather than from the completion of the Restructuring Exercise. Accordingly, the results of the Group include the results of the subsidiaries for the entire periods under review. Such manner of presentation reflects the economic substance of the companies, which were under common control throughout the relevant period, as a single economic enterprise, although the legal parent-subsidiary relationships were not established until in 2014.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

#### Pooling of interest (cont'd)

Pursuant to this:

- Assets and liabilities are reflected at their existing carrying amounts;
- No amount is recognised for goodwill;
- Prior to the issue of shares by the Company in connection with the Restructuring Exercise, the aggregate paid-up capital and accumulated profits of the subsidiaries held directly by the Company is shown as the Group's share capital and accumulated profits for financial years under review; and
- Upon the completion of the Restructuring Exercise, any difference between the consideration paid by the Company and the share capital and accumulated profits of the subsidiaries is reflected within the equity of the Group as merger reserve.

#### Acquisition method

The acquisition method of accounting is used to account for the acquisition of a subsidiary or business by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes 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 3(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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

##### Acquisition method (cont'd)

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.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Changes in the Company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners) and therefore, no gain or loss is recognised in profit or loss.

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill, non-controlling interest and other components of equity related to the subsidiary are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific FRS.

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

#### (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. 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.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (d) Associated companies (cont'd)

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Subsequent to initial recognition, the Group's share of its associated companies' post-acquisition profits or losses is recognised in the profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and 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 company, 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.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Upon loss of significant influence over the associate, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

If the Group's ownership interest in an associate is reduced, but the Group continues to apply the equity method, the Group shall reclassify to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

### (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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (e) Goodwill (cont'd)

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, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### (f) Revenue recognition

Revenue comprise the fair value of the consideration received or receivable for the rendering of services and sale of goods, net of value-added tax, goods and services tax, rebates and discounts, and after eliminating sales within the Group.

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

#### **Revenue from distribution of films where the Group undertook the roles of Presenter and investor or Presenter, Producer and investor**

The Group's theatrical film business consists of the Group undertaking different roles in different film business arrangements such as acting as a Presenter and investor, as well as acting as a Presenter, Producer and investor in films.

In accounting for revenues from each of the roles and arrangements, the Group determines whether it was acting as a principal or an agent for the roles undertaken based on the terms of the agreements for each film and assessing if the Group:

1. has the primary responsibility for providing the goods and services;
2. bears the inventory risk;
3. bears the credit risks;
4. has the latitude in establishing prices; and
5. earns a pre-determined earnings.

In transactions where the Group acts as principal, the Group's revenue should reflect the gross inflows of economic benefits received and receivable on its own account whilst as an agent, the Group's revenue should exclude amounts collected on behalf of the principal.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

#### **Revenue from distribution of films where the Group undertook the roles of Presenter and investor or Presenter, Producer and investor (cont'd)**

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

The Group recognises the entire box office proceeds received from the Distributor as revenue when the films are screened in movie theatres.

The Group also recognises a fixed fee as Presenter of the film upon the release of the film for screening in theatres.

Where the Group, as Presenter and investor, is acting as an agent

The Group recognises the fixed fee earned as Presenter of the film upon the release of the film. The net gain or loss on its investment in the film is recognised on a net basis within revenue.

#### **Revenue from production of films where the Group only undertook the role of Producer**

Where the Group is acting as a Producer in a contract for production of motion films, the Group uses the percentage-of-completion method to determine the appropriate revenue amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. When it is probable that the total costs will exceed total revenue, the expected loss is recognised as an expense immediately in the statement of profit or loss and other comprehensive income.

#### **Revenue from distribution of films in post-theatrical markets**

The Group distributes film in post-theatrical 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 deferred revenue 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 in periods when the royalties accrue.

#### **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 based on a report from the main Presenter of the film upon the screening of the film in theatres.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

#### Other income

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

Rental income 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.

### (g) Property, plant and equipment

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

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.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

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

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

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
Motor vehicles	5
Leasehold improvements	5

Properties in the course of construction are carried at cost, less any recognised impairment loss until construction is completed. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policies. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

### (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 reporting date on a title-by-title basis.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (h) Intangible assets (cont'd)

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.

Brand name is recognised at fair value at the acquisition date. Brand name with indefinite useful lives are not subject to amortisation, but are tested for impairment annually or more frequently when there are indications of impairment. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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.

### (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 reporting 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (j) Impairment of non-financial assets excluding goodwill (cont'd)

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.

### (k) Leases

When the Group entity is the lessee:

#### 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.

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.

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.

### (l) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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 reporting 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.

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.

Deferred income tax is charged or credited to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

### (m) Financial assets

#### 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 designed 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

##### Classification (cont'd)

##### Financial assets, at fair value through profit or loss (cont'd)

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 and loans and receivables.

##### 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 a subsidiary" and "cash and cash equivalents" on the balance sheet.

##### Financial assets, available-for-sale

Financial assets, available-for-sale include equity and debt 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.

##### 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

#### Subsequent measurement (cont'd)

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.

### (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 and bank 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 2015

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (p) Film obligations and productions 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 to be distributed 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.

#### (q) Provisions

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.

#### (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) 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (t) Employee benefits

#### Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entity, 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. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### 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.

### (u) Functional and 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 are presented in United States dollars ("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;



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (u) Functional and foreign currencies (cont'd)

#### Translation of Group entities' financial statements (cont'd)

- (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.

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.

### (v) 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 statement of financial position 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.

### (w) 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.

### (x) Related parties

A related party is an entity or person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such entity resides with, directly or indirectly, any such individual.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (y) Non-current assets (or disposal groups) held for sale and discontinued operation

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

The assets are not depreciated or amortised while they are classified as held for sale.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale and

- (a) represents a separate major line of business or geographical area of operations; or
- (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (c) is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss is re-presented as if the operation had been discontinued from the start of the comparative year.

### (z) Critical accounting judgments and key source of estimation uncertainty

#### Critical judgments in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has made the following judgments that have the most significant effect on the amounts recognised in the financial statements.

Determining whether the Group is acting as principal or agent

In the normal course of its business, the Group may assume different roles where it is acting as a principal or agent in the film business. The determination of whether the Group is acting as a principal or an agent in a transaction involves judgement and is based on evaluation of all relevant facts and circumstances of the transaction, including the terms of the arrangement. The Group is acting as a principal when it has exposure to the significant risks and rewards associated with the rendering of services. Indicators applied in this evaluation and the basis of recognition of revenue where the Group is acting as a principal or an agent are set out in Note 3(f) to the financial statements.

#### Key sources of estimation uncertainty

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (z) Critical accounting judgments and key source of estimation uncertainty (cont'd)

#### Key sources of estimation uncertainty (cont'd)

##### Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. An impairment exists when the carrying value of an asset or cash generating unit 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 must estimate the expected future cash flows from the cash-generating unit ("CGU") and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of goodwill and the carrying amount of goodwill are given in note 13 to the financial statements.

##### Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's loans and receivables at the end of the reporting date are disclosed in note 29(a) to the financial statements.

##### Production of motion films

Where the Group is acting as Producers, the Group recognises production of motion films income by reference to the stage of completion method. The stage of completion is measured by reference to the contract costs incurred to date compared to the estimated total costs for the contract.

Significant assumptions are required in determining the stage of completion and the estimated total production costs to complete the film. In making these estimates, the Group relied on past experience and knowledge of the production directors.

The stage of completion of each film production project is assessed on a cumulative basis at the end of each reporting period. Changes in estimates of contract costs, or the effect of a change in the estimate of the outcome of a contract could impact the amount of revenue and expenses recognised in the profit or loss in the years in which the change is made and in subsequent years. Such impact could potentially be significant.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (z) Critical accounting judgments and key source of estimation uncertainty (cont'd)

#### Key sources of estimation uncertainty (cont'd)

##### Impairment of film production inventories

The Group assesses at the end of each reporting date whether there is indication that the film production inventories may be impaired. In evaluating whether there is objective evidence of impairment, the Group considers factors such as the probability that the film will not be produced or that the future cash flows will be less than expected. Where the actual future cash flows are lesser than initially expected, the film production inventories may be written down to their fair values and an impairment charge be taken to profit or loss. Impairment loss of film production inventories recognised in the profit or loss was USD623,874 (2014: USD1,454,881). The carrying amount of the film production inventories as at the end of the reporting period was USD8,434,079 (2014: USD3,110,694).

## 4 REVENUE

	Group	
	2015 USD	2014 USD (Restated)
Revenue from distribution of films	16,302,437	5,889,262
Revenue from production of films	964,323	9,376,942
Others	501,134	333,247
	<u>17,767,894</u>	<u>15,599,451</u>

## 5 OTHER INCOME

	Group	
	2015 USD	2014 USD (Restated)
Interest income		
– Convertible bonds	–	112,000
– Fixed deposits	4,464	–
– Loan to related party	443	27,665
– Loan to staff	29,573	–
– Loan to third parties	82,105	47,411
– Loan to director	–	6,181
– Money market funds	8,903	28,644
	<u>125,488</u>	<u>221,901</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 5 OTHER INCOME (CONT'D)

	Group 2015 USD	2014 USD (Restated)
Fair value gain on investment in mutual funds	4,071	7,492
Fair value gain on investment in insurance products	1,571	–
Foreign exchange gain	17,784	–
Loss on film borne by external investors	–	460,115
Rental income		
– Related party	69,526	1,662
– Third parties	6,540	45,148
Government grants	233,693	48,169
Reimbursement of film festival expenses	–	30,018
Commission	–	47,499
Others	257,151	104,033
	<b>715,824</b>	<b>966,037</b>

## 6 FINANCE COSTS

	Group 2015 USD	2014 USD
Interest expenses		
– Bank loans	74,040	60,115
– Convertible bonds	–	44,818
– Others	1,990	–
	<b>76,030</b>	<b>104,933</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 7 LOSS BEFORE TAX

	Group	
	2015 USD	2014 USD
Profit before tax is arrived at after charging:		
Allowance for doubtful receivables (note 29(b))	11,047	642,620
Amortisation of intangible assets (note 13)	6,840	7,596
Audit fee paid/payable to		
– Auditor of the Company	56,525	38,005
– Other auditors of the Group	118,202	83,244
Non-audit fee paid/payable to		
– Auditor of the Company	–	–
– Other auditors of the Group	67,097	23,064
Depreciation of property, plant and equipment (note 12)	137,739	89,384
Initial public offering expenses*	–	1,331,855
Investment loss on investments	17,676	–
Loss on disposal of property, plant and equipment	–	43,333
Personnel expenses (note 8)	3,191,934	2,238,727
Property, plant and equipment written off	14,192	–
Reversal of allowance of doubtful receivables (note 29(b))	(44,190)	(679)
Rental expense	746,174	637,609
Travelling expenses	99,840	274,449
Write-off of investments	–	37,343
Write-off of bad debts	–	7,147
Other expenses		
– Impairment loss on film production inventories (note 14)	623,874	1,454,881
– Profit on film distributable to external investors	4,199,077	–

\* Included in this expenses was an amount of Nil (2014: USD274,164) paid to auditor of the Company in respect of professional services rendered as independent reporting auditor.

## 8 PERSONNEL EXPENSES

	Group	
	2015 USD	2014 USD
<i>Directors</i>		
– Salaries, bonus and other benefits	883,193	755,840
– Defined contribution benefits	32,557	21,933
<i>Directors of the subsidiaries</i>		
– Salaries, bonus and other benefits	84,578	35,420
– Defined contribution benefits	1,768	2,793
<i>Key management personnel</i>		
– Salaries and bonus	503,898	362,709
– Defined contribution benefits	28,577	7,400
– Other short-term benefits	4,618	–
<i>Other personnel</i>		
– Salaries and bonus	1,241,355	751,065
– Defined contribution benefits	90,176	55,637
– Other short-term benefits	321,214	245,930
	<b>3,191,934</b>	<b>2,238,727</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 9 TAX EXPENSE

	Group	
	2015 USD	2014 USD
Tax expense attributable to profits is made up of:		
<u>From continuing operations</u>		
Current income tax provision	91,519	22,385
Deferred tax (note 15)	299,905	539,457
	391,424	561,842
<u>From discontinued operation</u>		
Current income tax provision	197,596	–
	589,020	561,842

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

	Group	
	2015 USD	2014 USD
(Loss)/profit before tax from:		
Continuing operations	(1,120,366)	(7,518,852)
Discontinued operation	436,253	–
Loss before tax	(684,113)	(7,518,852)
Tax at domestic rates applicable to loss in countries where the Group operate	(305,143)	(1,550,345)
Expenses not deductible for tax purposes	405,861	387,719
Income not subject to tax	(25,351)	(1,199)
Deferred tax assets not recognised for the year	563,080	1,736,431
Others	(49,427)	(10,764)
	589,020	561,842

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%.

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% (2014: 22%).



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 10 DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 30 December 2015, a wholly-owned subsidiary of the Company, Spackman Entertainment Group (HK) Limited entered into a sale and purchase agreement to dispose the Group's 51.36% equity interest in a subsidiary, UAA Korea Co., Ltd ("UAA") at a consideration of USD2,112,000. Following the disposal, the Group will own 0.13% of UAA held by Opus, a wholly-owned, indirect subsidiary of the Company. The estimated gain on disposal amounted to approximately USD301,000. As UAA represents an operating segment of the Group (i.e. talent management segment), the Group has classified the post-tax results of UAA under discontinued operation in the consolidated profit or loss and other comprehensive income and assets and liabilities of UAA as disposal group classified as held for sale and liabilities directly associated with disposal group classified as held for sale in the consolidated balance sheet.

An analysis of the results of discontinued operation, and the results recognized on the remeasurement of disposal group is as follows:

	Group 2015 USD
Revenue	11,388,100
Cost of sales	(9,858,517)
Other income	58,407
Expenses	(1,151,737)
Profit before tax from discontinued operations	436,253
Tax expense	(197,596)
Profit after tax from discontinued operations	238,657

The impact of the discontinued operations on the cash flows of the Group are as follows:

	Group 2015 USD
Operating cash flows	(174,977)
Investing cash flows	402,855
Financing cash flows	-
Total cash flows	227,878

There are no comparative figures to the discontinued operations as UAA was acquired on 31 December 2014.

	2015 USD
Details of disposal group classified as held for sale are as follows:	
Property, plant and equipment	62,247
Intangible assets	2,290,635
Goodwill	862,160
Investments	85,324
Trade and other receivables	3,682,538
Deposits	130,214
Cash and cash equivalents	1,834,695
	8,947,813

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 10 DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

	2015 USD
Liabilities directly associated with disposal group classified as held for sale:	
Trade and other payables	5,247,887
Tax payables	173,208
	<u>5,421,095</u>
Reserve:	
Currency translation reserve	<u>(207,144)</u>

## 11 LOSS PER SHARE

### From continuing and discontinued operations

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

	2015 USD	2014 USD
Net loss for the year attributable to equity holders of the Company	<u>(1,114,077)</u>	<u>(7,980,783)</u>
Weighted average number of ordinary shares for basic earnings per share	<u>398,694,369</u>	<u>395,310,000</u>

### From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

Loss figures are calculated as follows:

	2015 USD	2014 USD
Loss for the year attributable to equity holders of the Company	<u>(1,114,077)</u>	<u>(7,980,783)</u>
Less: Profit for the year from discontinued operation	<u>(122,884)</u>	<u>–</u>
Loss for the purposes of basic earnings per share from continuing operations	<u>(1,236,961)</u>	<u>(7,980,783)</u>

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

### From discontinued operation

Basic and diluted earnings per share for the discontinued operation is based on the profit for the year from the discontinued operation of USD122,884 (2014: Nil) and the denominators detailed above for both basic and diluted earnings per share.

The Company did not hold any dilutive potential ordinary shares during the financial year (2014: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 12 PROPERTY, PLANT AND EQUIPMENT

	Land USD	Building USD	Equipment USD	Motor vehicles USD	Leasehold improvements USD	Construction in progress USD	Total USD
<b>Group</b>							
<b>2015</b>							
<b>Cost</b>							
At 1.1.2015	403,721	–	312,951	58,889	357,631	36,505	1,169,697
Additions	–	15,234	16,904	49,607	14,096	2,697,334	2,793,175
Acquisition of a subsidiary	–	–	3,061	–	–	–	3,061
Written off	–	–	–	(23,862)	–	–	(23,862)
Reclassification	–	2,732,797	–	–	–	(2,732,797)	–
Reclassified as held for sale	–	–	(69,690)	(11,091)	–	–	(80,781)
Currency translation differences	(25,077)	(94,985)	(26,974)	(7,992)	(27,325)	(1,042)	(183,395)
At 31.12.2015	378,644	2,653,046	236,252	65,551	344,402	–	3,677,895
<b>Accumulated depreciation</b>							
At 1.1.2015	–	–	47,857	16,891	201,912	–	266,660
Acquisition of a subsidiary	–	–	921	–	–	–	921
Depreciation charge	–	5,693	63,974	18,621	49,451	–	137,739
Written off	–	–	–	(9,670)	–	–	(9,670)
Reclassified as held for sale	–	–	(16,316)	(2,218)	–	–	(18,534)
Currency translation differences	–	(196)	(12,750)	(5,058)	(18,986)	–	(36,990)
At 31.12.2015	–	5,497	83,686	18,566	232,377	–	340,126
<b>Net carrying value</b>							
At 31.12.2015	378,644	2,647,549	152,566	46,985	112,025	–	3,337,769

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 12 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Land USD	Equipment USD	Motor vehicles USD	Leasehold improvements USD	Construction in progress USD	Total USD
<b>Group</b>						
<b>2014</b>						
<b>Cost</b>						
At 1.1.2014	439,468	63,787	36,051	395,238	–	934,544
Additions	–	192,824	–	74,798	38,098	305,720
Acquisition of a subsidiary	–	72,022	26,079	–	–	98,101
Disposals	–	(1,139)	–	(94,378)	–	(95,517)
Reclassification	(18,195)	–	–	–	–	(18,195)
Currency translation differences	(17,552)	(14,543)	(3,241)	(18,027)	(1,593)	(54,956)
At 31.12.2014	403,721	312,951	58,889	357,631	36,505	1,169,697
<b>Accumulated depreciation</b>						
At 1.1.2014	–	30,236	11,005	187,626	–	228,867
Depreciation charge	–	24,325	8,483	56,576	–	89,384
Disposals	–	(342)	–	(30,651)	–	(30,993)
Currency translation differences	–	(6,362)	(2,597)	(11,639)	–	(20,598)
At 31.12.2014	–	47,857	16,891	201,912	–	266,660
<b>Net carrying value</b>						
At 31.12.2014	403,721	265,094	41,998	155,719	36,505	903,037

	Equipment USD	Leasehold improvements USD	Total USD
<b>Company</b>			
<b>2015</b>			
<b>Cost</b>			
At 1.1.2015	620	–	620
Additions	11,511	4,090	15,601
At 31.12.2015	12,131	4,090	16,221
<b>Accumulated depreciation</b>			
At 1.1.2015	21	–	21
Depreciation charge	1,692	796	2,488
At 31.12.2015	1,713	796	2,509
<b>Net carrying value</b>			
At 31.12.2015	10,418	3,294	13,712

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 12 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Equipment USD	Leasehold improvements USD	Total USD
<b>2014</b>			
<b>Cost</b>			
At date of incorporation	–	–	–
Additions	620	–	620
At 31.12.2014	620	–	620
<b>Accumulated depreciation</b>			
At date of incorporation	–	–	–
Depreciation charge	21	–	21
At 31.12.2014	21	–	21
<b>Net carrying value</b>			
At 31.12.2014	599	–	599

Bank borrowings are secured on the land and building of the Group with a net carrying value of USD3,026,193 (Note 24).

### Capitalisation of borrowing costs

During the financial year, borrowing costs capitalised as cost of property, plant and equipment amounted to USD10,434 (2014: Nil). The borrowing costs capitalised is the actual borrowing costs incurred on funds borrowed specifically for the construction of the building.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 13 INTANGIBLE ASSETS

	Acquired libraries USD	Software USD	Goodwill USD	Brand name USD	Others USD	Total USD
<b>Group</b>						
<b>2015</b>						
<b>Cost</b>						
At 1.1.2015	19,122	5,216	916,882	2,442,345	34,295	3,417,860
Acquisition of a subsidiary	–	–	800,133	–	–	800,133
Additions	6,210	–	–	–	–	6,210
Reclassified as held for sale	–	–	(862,160)	(2,290,635)	–	(3,152,795)
Currency translation differences	(1,403)	(846)	(54,722)	(151,710)	(2,131)	(210,812)
At 31.12.2015	23,929	4,370	800,133	–	32,164	860,596
<b>Accumulated amortisation</b>						
At 1.1.2015	–	4,317	–	–	10,588	14,905
Amortisation charge	–	177	–	–	6,663	6,840
Currency translation differences	–	(796)	–	–	(939)	(1,735)
At 31.12.2015	–	3,698	–	–	16,312	20,010
<b>Net carrying value</b>						
At 31.12.2015	23,929	672	800,133	–	15,852	840,586
<b>2014</b>						
<b>Cost</b>						
At 1.1.2014	82,064	4,834	–	–	32,788	119,686
Acquisition of a subsidiary	–	–	–	2,680,110	–	2,680,110
Additions	–	949	793,815	–	–	794,764
Restatement (note 34)	–	–	123,067	(237,765)	–	(114,698)
Written-off	(62,269)	–	–	–	–	(62,269)
Currency translation differences	(673)	(567)	–	–	1,507	267
At 31.12.2014 (Restated)	19,122	5,216	916,882	2,442,345	34,295	3,417,860
<b>Accumulated amortisation</b>						
At 1.1.2014	–	4,409	–	–	3,279	7,688
Amortisation charge	–	438	–	–	7,158	7,596
Currency translation differences	–	(530)	–	–	151	(379)
At 31.12.2014	–	4,317	–	–	10,588	14,905
<b>Net carrying value</b>						
At 31.12.2014 (Restated)	19,122	899	916,882	2,442,345	23,707	3,402,955

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 13 INTANGIBLE ASSETS (CONT'D)

### Impairment test for goodwill

Goodwill acquired in a business combination is allocated to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated to Novus Mediacorp which contributes to the Group's other film related activities segment.

### Key assumptions used in value-in-use calculation

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

	2015 %
Gross margin <sup>(1)</sup>	11
Growth rate <sup>(2)</sup>	–
Discount rate <sup>(3)</sup>	17

<sup>(1)</sup> Budgeted gross margin.

<sup>(2)</sup> Growth rate used to extrapolate cash flows beyond the budgeted period.

<sup>(3)</sup> 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 CGU. 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 the CGU, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 14 FILM PRODUCTION INVENTORIES

	Group	
	2015 USD	2014 USD
<b>Cost</b>		
Balance at beginning of the financial year	5,134,385	8,567,058
Acquisition of a subsidiary	510,025	112,616
Additions	14,415,911	10,572,394
Charged to cost of sales	(8,701,384)	(13,951,146)
Currency translation differences	(370,552)	(166,537)
Balance at end of the financial year	10,988,385	5,134,385
<b>Accumulated impairment losses</b>		
Balance at beginning of the financial year	2,023,691	634,136
Impairment loss (note 7)	623,874	1,454,881
Currency translation differences	(93,259)	(65,326)
Balance at end of the financial year	2,554,306	2,023,691
<b>Net carrying value</b>		
Balance at end of the financial year	8,434,079	3,110,694
Representing:		
Current	6,671,824	1,428,014
Non-current	1,762,255	1,682,680
	8,434,079	3,110,694

## 15 DEFERRED TAX ASSETS/(LIABILITIES)

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

	Group	
	2015 USD	2014 USD
Balance at beginning of the financial year	220,087	772,440
Acquisition of a subsidiary	(235,774)	–
Tax expensed to statement of profit or loss and other comprehensive income	(299,905)	(539,457)
Currency translation difference	8,160	(12,896)
Balance at end of the financial year	(307,432)	220,087
Representing:		
Deferred tax assets	–	335,543
Deferred tax liabilities	(307,432)	(115,456)
	(307,432)	220,087

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 15 DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

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

	Group	
	2015 USD	2014 USD
Tax loss	–	318,973
Deferred tax on film production inventories	–	(115,456)
Other taxable temporary differences	(307,432)	–
Other temporary differences	–	16,570
	<b>(307,432)</b>	<b>220,087</b>

At the balance sheet date, the Group has unutilised tax losses of USD11,301,000 (2014: USD9,375,000) 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 has been recognised in respect of Nil (2014: USD1,450,000) of such losses. No deferred tax assets has been recognised in respect of the remaining USD11,301,000 (2014: USD7,925,000) 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.

## 16 LOAN TO A SUBSIDIARY

The amount due from a subsidiary is non-trade in nature, bears interest at 1.20% (2014: 1.20%) per annum, unsecured and repayable on September 2016. The non-current portion of the loan to a subsidiary as at 31 December 2014 approximates its fair value as at that date.

## 17 INVESTMENT IN SUBSIDIARIES

	Company	
	2015 USD	2014 USD
<b>Unquoted equity shares, at cost</b>		
Balance at beginning of financial year	14,635,097	14,635,097
Acquisition during financial year	1,610,330	–
Balance at end of financial year	<b>16,245,427</b>	<b>14,635,097</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 17 INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Details of subsidiaries are as follows:

Name of subsidiary	Place of incorporation	Principal business	Group Equity held	
			2015 %	2014 %
<i>Held by the Company</i> SEG HK <sup>#</sup>	Hong Kong	Investment holding company.	100.00	100.00
Noon Pictures Co., Ltd ("Noon") <sup>##</sup>	Korea	Professional photography services.	60.24	60.24
Novus Mediacorp Co., Ltd ("Novus Mediacorp") <sup>##</sup>	Korea	Development, production, importation and exportation, investment, distribution and promotion of motion pictures	51.00	–
<i>Held by SEG HK</i> SEL <sup>#</sup>	Hong Kong	Investment holding company.	100.00	100.00
Opus <sup>#</sup>	Korea	Production, importation and exportation, investment, distribution and promotion of films. Purchase, sale and lease of real property.	100.00	100.00
Zip <sup>#</sup>	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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 17 INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Name of subsidiary	Place of incorporation	Principal business	Group Equity held	
			2015 %	2014 %
Held by SEG HK SEKI <sup>#</sup>	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
UAA Korea Co., Ltd ("UAA") <sup>##</sup>	Korea	Talent management agency, development, importation and exportation, investment, distribution and promotion of motion pictures.	51.49	51.49
Held by SEKI Upper West <sup>#</sup>	Korea	Restaurant business, franchise and service business, processing and sale of food.	83.15	83.15
Held by Opus Film Auteur Co., Ltd ("Film Auteur") <sup>#</sup>	Korea	Distribution, importation, investment, and production of images, films, and dramas. Sales, promotion and importation of advertisement, products regarding images, films and dramas. Production of broadcasting programmes. Broadcasting. Publication. Information services via the Internet and mobile. Lease of real property.	51.23	51.23
OPUS INT Co. Ltd <sup>#</sup>	Korea	Film marketing	100.00	—

<sup>#</sup> Audited by independent overseas member firms of Baker Tilly International for the purpose of preparation of the Group's consolidated financial statements

<sup>##</sup> Audited by Nexia Samduk, Korea

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 17 INVESTMENT IN SUBSIDIARIES (CONT'D)

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

The Group has the following subsidiaries that have NCI that are considered by management to be material to the Group:

Name of subsidiary	Principal place of business/Country of incorporation	Ownership interests held by NCI
UAA	Korea	48.51%
Film Auteur	Korea	48.77%

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

	UAA		Film Auteur	
	2015 USD	2014 USD	2015 USD	2014 USD
<u>Summarised Balance Sheets</u>				
Non-current assets	2,438,206	2,540,446	25,807	35,980
Current assets	6,054,170	3,460,748	48,710	608,497
Non-current assets	–	–	(14,055)	(1,820)
Current liabilities	(6,085,193)	(3,678,881)	(606,387)	(743,622)
<b>Net assets</b>	<b>2,407,183</b>	<b>2,322,313</b>	<b>(545,925)</b>	<b>(100,965)</b>
<b>Net assets attributable to NCI</b>	<b>1,167,724</b>	<b>1,126,554</b>	<b>(266,248)</b>	<b>(49,241)</b>
<u>Summarised Income Statements</u>				
Revenue	11,388,100	1,795,528	1,168,237	1,533,496
Profit before tax	436,253	109,823	(467,384)	(98,138)
Income tax expense	(197,596)	–	–	–
Profit after tax	238,657	109,823	(467,384)	(98,138)
Other comprehensive (loss)/income	(207,144)	–	22,424	4,133
Total comprehensive income	31,513	109,823	(444,960)	(94,005)
Profit/(loss) allocated to NCI	115,773	53,275	(227,943)	(47,862)
<u>Summarised Cash Flows</u>				
Operating cash flows	(168,929)	–	529,233	(703,006)
Investing cash flows	388,930	–	(84,260)	59,727
Financing cash flows	–	–	27,293	191,367
Net increase in cash and cash equivalents	220,001	–	472,266	(451,912)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 17 INVESTMENT IN SUBSIDIARIES (CONT'D)

### (c) Acquisition of a subsidiary:

In December 2014, Opus and SEG HK acquired 0.13% and 51.36% respectively of the issued share capital of UAA for USD2,112,000. The PPA exercise was completed during the financial year ended 31 December 2015 and the provisional goodwill of USD793,815 recorded in the financial year ended 31 December 2014 was adjusted accordingly to USD916,882 following the completion of the PPA exercise in accordance with FRS 103 Business Combinations (note 34(a)).

On 5 January 2015, the Company acquired 51% of the issued share capital of Novus Mediacorp for USD1,610,330. The Group acquired Novus Mediacorp in order to complement the Group's principal activities. The purchase price allocation exercise was completed during the financial year ended 31 December 2015.

#### (i) Fair value of identifiable assets and liabilities of subsidiary at acquisition date:

	Group 2015 USD	2014 USD (Restated)
Cash and cash equivalents	520,465	1,721,635
Investments	1,783,240	636,827
Trade and other receivables	2,820,571	988,425
Property, plant and equipment	2,140	98,101
Intangible assets	–	2,442,345
Film production inventories	510,025	112,616
	<u>5,636,441</u>	<u>5,999,949</u>
Trade and other payables	1,467,356	3,104,179
Deferred revenue	2,580,464	574,702
	<u>4,047,820</u>	<u>3,678,881</u>
Total identified net assets	1,588,621	2,321,068
Less: Non-controlling interests measured at the non-controlling's proportionate share of subsidiary's net assets	<u>(778,424)</u>	<u>(1,125,950)</u>
Net identified assets acquired	810,197	1,195,118
Goodwill	800,133	916,882
Total purchase consideration	1,610,330	2,112,000
Less: Purchase consideration paid using equity instruments (note 26)	<u>(591,327)</u>	–
Less: Cash and cash equivalents in subsidiary acquired	<u>(520,465)</u>	<u>(1,721,635)</u>
Net cash outflow on acquisition of subsidiary	<u>498,538</u>	<u>390,365</u>

#### (ii) Goodwill

The acquired subsidiaries in the current and prior financial years are involved in the talent management, development, production, importation, exportation, investment, distribution and promotion of motion pictures. The goodwill of USD800,133 (2014: USD916,882) is attributable to significant synergies expected to arise after the acquisition.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 17 INVESTMENT IN SUBSIDIARIES (CONT'D)

### (c) Acquisition of a subsidiary: (cont'd)

#### (iii) Revenue and loss contribution

Novus Mediacorp contributed revenues of USD5.05 million and net profit of USD1.13 million to the Group for the period from 5 January 2015 to 31 December 2015. UAA was acquired in December 2014 and did not contribute significant revenue and net profit during the prior year.

If the acquisition had occurred on 1 January 2015 (2014: 1 January 2014), the Group revenue would have been USD17.77 million (2014: USD17.86 million) and total loss would have been USD1.27 million (2014: USD8.19 million).

## 18 INVESTMENT IN ASSOCIATED COMPANY

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

	Group	
	2015 USD	2014 USD
Carrying amount:		
Spackman Media Group Pte Ltd ("SMG")*	<u>3,577,373</u>	<u>–</u>

\* Audited by KPMG LLP

SMG is an investment holding company incorporated in Singapore with 45.8% ownership interest held by the Company and is measured using the equity method. The activities of the associated company are strategic to the Group.

Summarised financial information for SMG based on its FRS 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:

	2015 USD
Revenue	<u>2,360,892</u>
Loss after tax	(1,176,338)
Other comprehensive loss	(67,977)
Total comprehensive loss	<u>(1,244,315)</u>
Non-current assets	9,254,885
Current assets	7,478,558
Non-current liabilities	(2,367,134)
Current liabilities	<u>(6,849,506)</u>
Net assets	<u>7,516,803</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 18 INVESTMENT IN ASSOCIATED COMPANY (CONT'D)

	2015 USD
Group's share of net assets based on proportion of ownership interest	3,442,696
Other adjustments	134,677
	<u>3,577,373</u>

The Group's share of the associate's results of USD1,246,618 comprise current year share of loss of USD467,472 and gain on bargain purchase of USD1,714,090.

## 19 INVESTMENTS

	Group		Company	
	2015 USD	2014 USD	2015 USD	2014 USD
<b>Non-current</b>				
Investment in insurance products, at fair value	<u>59,727</u>	–	–	–
<b>Current</b>				
Investment in insurance products, at fair value	251,075	208,445	–	–
Investment in mutual funds, at fair value	–	377,471	–	–
Short-term investments, at cost	<u>6,636,372</u>	2,904,387	–	243,652
	<u>6,887,447</u>	3,490,303	–	243,652

The fair value of the insurance products was determined based on the surrender values as at the end of each reporting period. The fair value of mutual funds is determined based on market rates from financial securities applicable at the end of each reporting period. These are classified within Level 1 of the fair value hierarchy (note 30).

Short-term investments consist of investments in film investment funds, unquoted equity shares and theatrical film projects. 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 which are engaged in entertainment activities. These investments are carried at cost as the fair value of these short-term investments cannot be measured reliably.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 20 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 USD	2014 USD	2015 USD	2014 USD
Trade receivables				
– Related party	–	–	5,000	–
– Third parties	17,830,566	4,508,400	6,723	770
	17,830,566	4,508,400	11,723	770
Less: Allowance for doubtful receivables	(51,999)	(54,468)	–	–
	17,778,567	4,453,932	11,723	770
Short-term loans				
– Staff	216,162	–	–	–
– Third parties	734,642	163,301	–	–
– Non-controlling interest	–	45,488	–	–
	950,804	208,789	–	–
Less: Allowance for doubtful receivables	(272,611)	(99,618)	–	–
	678,193	109,171	–	–
Other receivables				
– Staff	–	40,070	–	–
– Subsidiary	–	–	16,353	6,684
– Non-controlling interest	–	3,272	–	–
– Associate	–	–	74,393	–
– Third parties	817,902	1,964,862	–	–
	817,902	2,008,204	90,746	6,684
Less: Allowance for doubtful receivables	(18,259)	(604,440)	–	–
	799,643	1,403,764	90,746	6,684
Advance payments	207,560	1,682,328	–	1,233,732
Less: Allowance for doubtful receivables	(10,666)	–	–	–
	196,894	1,682,328	–	1,233,732
Accrued income	172,864	–	–	–
Tax recoverable	–	–	–	–
Prepayments	736,383	148,155	–	–
Deposits	746,233	700,106	56,754	–
	1,655,480	848,261	56,754	–
	21,108,777	8,497,456	159,223	1,241,186

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

The short-term loans to staff, non-controlling interest and third parties are unsecured, repayable on demand and interests are payable at 6.90% (2014: 6.90%), Nil (2014: Nil) and between Nil to 6.50% (2014: Nil to 6.50%) per annum respectively.

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

Included in deposits was an amount of USDNil and USD46,398 which had been pledged to banks as collateral for corporate credit cards for the years ended 31 December 2015 and 2014 respectively.

## 21 CASH AND CASH EQUIVALENTS

	Group		Company	
	2015 USD	2014 USD	2015 USD	2014 USD
Bank and cash balances	<b>3,041,863</b>	11,218,541	<b>823,614</b>	4,471,821
Money market funds	<b>1,072,372</b>	957,628	–	–
	<b>4,114,235</b>	12,176,169	<b>823,614</b>	4,471,821

## 22 TRADE AND OTHER PAYABLES

	Group		Company	
	2015 USD	2014 USD (Restated)	2015 USD	2014 USD
Trade payables				
– Staff	<b>10,655</b>	–	–	–
– Third parties	<b>4,903,447</b>	1,443,297	–	17,463
– Non-controlling interest	–	7,510	–	–
Share of box office proceeds payable to investors	<b>9,258,715</b>	2,891,380	–	–
Accrued operating expenses	<b>439,509</b>	165,551	<b>158,448</b>	95,410
Allowance for unutilised leave	<b>68,442</b>	50,849	–	–
Other payables				
– Amount due to a subsidiary	–	–	–	136,767
– Third parties	<b>460,189</b>	1,556,264	<b>4,867</b>	–
– Related parties	<b>430,000</b>	–	–	–
– Non-controlling interest	–	36	–	–
Advances received from				
– Third parties	<b>133,751</b>	3,624,093	–	–
	<b>15,704,708</b>	9,738,980	<b>163,315</b>	249,640

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 23 DEFERRED REVENUE

	Group	
	2015 USD	2014 USD
Minimum guarantee received for selling distribution rights of movie under production	3,832,763	1,819,505
Advance receipts in relation to production of documentary films	–	481,045
Advance receipts in relation to artists endorsement income	–	574,702
	<b>3,832,763</b>	<b>2,875,252</b>

## 24 BORROWINGS

		Group	
	Repayment period	2015 USD	2014 USD
<b>Non-current</b>			
Term loan IX – average 6-month interest rate of bond insurance by banks in Korea	2018 – 2023	1,962,457	–
<b>Current</b>			
Term loan I – 9.01% (2014: 6.95%)	6 November 2016	25,597	27,292
Term loan II – 4.05% (2014: 4.45%)	21 October 2016	170,648	181,951
Term loan III – 4.34% (2014: 4.18%)	20 April 2016	255,973	272,926
Term loan IV – 4.02% (2014: 4.26%)	1 June 2016	426,621	454,876
Term loan V – 9.45% (2014: 5.93%)	8 April 2016	255,973	272,926
Term loan VI – 4.18% (2014: 4.18%)	18 March 2016	25,598	27,293
Term loan VII – 3.23%	30 June 2016	255,973	–
Term loan VIII – 4.00%	24 December 2016	1,706,485	–
		<b>3,122,868</b>	<b>1,237,264</b>
		<b>5,085,325</b>	<b>1,237,264</b>

The loans are secured by guarantees from Korea Credit Guarantee Fund and Korea Technology Finance Corporation and a mortgage of the land and building of the Group (Note 12).

The carrying amounts of the loans determined from discounted cash flow analysis using the market lending rate that the directors expect would be available to the Group at the end of the reporting period are reasonable approximation of fair values as they are floating rate instruments that are repriced to market interest rates on or near the end of the reporting period. The fair value measurement for disclosure purposes is categorised as Level 3 of the fair value hierarchy.

## 25 FILM OBLIGATIONS AND PRODUCTION LOANS

	Group	
	2015 USD	2014 USD (Restated)
Third parties	10,226,109	646,303

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 26 SHARE CAPITAL

	2015		2014	
	Number of issued shares	Issued share capital USD	Number of issued shares	Issues share capital USD
<b>Group</b>				
<b>Issued and paid up capital</b>				
At beginning of the financial year	395,310,000	24,427,906	13,950	1,790
At date of incorporation	–	–	1	1
Issuance of ordinary shares	3,460,209	591,327	–	–
Transition to no-par-value regime in Hong Kong	–	–	–	6,657,822
Issuance of ordinary shares pursuant to restructuring exercise	–	–	3,276	7,884,229
Sub-division of 1 ordinary shares into 20,000 ordinary shares	–	–	344,522,773	–
Issue of ordinary shares pursuant to initial public offering	–	–	50,770,000	9,884,064
At end of the financial year	<u>398,770,209</u>	<u>25,019,233</u>	<u>395,310,000</u>	<u>24,427,906</u>
<b>Company</b>				
<b>Issued and paid up capital</b>				
At beginning of the financial year	395,310,000	24,427,906		
At date of incorporation	–	–	1	1
Issuance of ordinary shares	3,460,209	591,327	–	–
Issuance of ordinary shares pursuant to restructuring exercise	–	–	17,226	14,543,841
Sub-division of 1 ordinary shares into 20,000 ordinary shares	–	–	344,522,773	–
Issue of ordinary shares pursuant to initial public offering	–	–	50,770,000	9,884,064
At end of the financial year	<u>398,770,209</u>	<u>25,019,233</u>	<u>395,310,000</u>	<u>24,427,906</u>

The Company was incorporated on 10 January 2014, with an issued and paid up capital of USD1. Pursuant to the resolutions dated 19 June 2014, the shareholders approved the following:

- the allotment and issue of 17,226 shares in the share capital of the Company pursuant to the restructuring exercise.
- the sub division of 17,227 shares in the issued and paid up capital of the Company into 344,540,000 shares.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 26 SHARE CAPITAL (CONT'D)

On 9 January 2015, the Company issued 3,460,209 ordinary shares for USD591,327 as partial settlement of the consideration for the acquisition of Novus Mediacorp.

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.

## 27 OTHER RESERVES

	Group	
	2015 USD	2014 USD
Merger reserve	(2,724,167)	(2,724,167)
Currency translation reserve	(375,431)	9,584
	<u>(3,099,598)</u>	<u>(2,714,583)</u>

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

In the prior year, movement in merger reserves comprise of a transition to no-par-value regime in Hong Kong of USD6,657,822 which is in accordance with Section 135 of the new Hong Kong Companies Ordinance (Cap. 622), Hong Kong company shares no longer have a par or nominal value with effect from 3 March 2014.

In accordance with the translation provisions set out in Section 37 of Schedule 11 to new Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014 any amount standing to the credit of the share premium has become part of the Company's share capital.

## 28 COMMITMENTS

### 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, 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	
	2015 USD	2014 USD
Not later than one financial year	742,683	628,528
Between two and five years	651,912	724,334
	<u>1,394,595</u>	<u>1,352,862</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 28 COMMITMENTS (CONT'D)

### Lease commitments (cont'd)

#### Where the Group is a lessor

The Group leases out 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	
	2015 USD	2014 USD
Not later than one financial year	245,842	909
Between two and five years	302,704	–
	<b>548,546</b>	<b>909</b>

## 29 FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

Financial instruments at their carrying amounts at reporting date are as follows:

	Group		Company	
	2015 USD	2014 USD	2015 USD	2014 USD
<i>Financial assets</i>				
Trade and other receivables	20,175,500	6,666,973	159,223	6,684
Loan to a subsidiary	–	–	1,733,163	–
Cash and cash equivalents	4,114,235	12,176,169	823,614	4,471,821
Loans and receivables	<b>24,289,735</b>	18,843,142	<b>2,716,000</b>	4,478,505
Investments, at fair value through profit or loss	<b>310,802</b>	585,916	–	–
Available-for-sale investment, at cost	<b>6,636,372</b>	2,904,387	–	243,652
<i>Financial liabilities</i>				
Trade and other payables	15,452,129	5,921,185	163,315	249,640
Film obligation and production loans	10,226,109	646,303	–	–
Borrowings	<b>5,085,325</b>	1,237,264	–	–
At amortised cost	<b>30,763,563</b>	7,804,752	<b>163,315</b>	249,640

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

### 29 FINANCIAL INSTRUMENTS (CONT'D)

#### (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 are mainly Singapore Dollars (SGD) and Hong Kong dollars (HKD).

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

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:

	2015		2014	
	SGD USD	HKD USD	SGD USD	HKD USD
<b>Group</b>				
Cash and cash equivalents	<u>773,771</u>	<u>106,396</u>	<u>4,471,821</u>	<u>2,471,015</u>
<b>Company</b>				
Cash and cash equivalents	<u>773,771</u>	<u>–</u>	<u>4,471,821</u>	<u>–</u>

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 loss.

#### 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 subsidiaries. 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).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 29 FINANCIAL INSTRUMENTS (CONT'D)

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

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

The Group's income and operating cash flows are substantially independent on changes in market interest rates as the Group does not have significant interest-bearing assets and liabilities. 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 refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has credit policies in place and the exposure to credit risk is monitored on an ongoing basis by the management.

The Group's trade receivables comprise 3 debtors (2014: 1 debtor) that individually represented 10 - 20% of the trade receivables.

As the Group and the Company does 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.

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 but not impaired.

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

	Group	
	2015 USD	2014 USD
<i>Gross amount:</i>		
Past due over 90 days	353,535	758,526
Less: Allowance for impairment	(353,535)	(758,526)
	<u>-</u>	<u>-</u>
<i>Movements in allowance for doubtful receivables:</i>		
At beginning of the financial year	758,526	149,404
Acquisition of a subsidiary	245,758	-
Allowance made (note 7)	11,047	642,620
Allowance utilised	(583,302)	-
Reversal of allowance made (note 7)	(44,190)	(679)
Currency translation differences	(34,304)	(32,819)
At end of the financial year	<u>353,535</u>	<u>758,526</u>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

### 29 FINANCIAL INSTRUMENTS (CONT'D)

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

##### 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.

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# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 29 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
<b>Group</b>				
<b>2015</b>				
Trade and other payables	15,452,129	–	–	15,452,129
Film obligations and production loans	10,226,109	–	–	10,226,109
Borrowings	3,262,130	1,106,766	905,537	5,274,433
<b>2014</b>				
Trade and other payables	5,921,185	–	–	5,921,185
Film obligations and production loans	646,303	–	–	646,303
Borrowings	1,237,264	–	–	1,237,264
<b>Company</b>				
<b>2015</b>				
Trade and other payables	158,448	–	–	158,448
<b>2014</b>				
Trade and other payables	249,640	–	–	249,640

## 30 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)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 30 FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### (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 at the end of the reporting period at 31 December 2015 are disclosed in note 19.

### (c) Determination of fair values

The determination of fair value measurements of assets that are measured at fair value are disclosed in note 19.

## 31 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 at terms agreed between the parties:

	Group	
	2015 USD	2014 USD
<b>Related parties</b>		
<i>Income</i>		
Rental income	69,526	1,662
Interest income	443	27,665
<i>Expense</i>		
Interest expenses	1,343	–
Rental expenses	–	1,633
Publication expense	17,676	–
<i>Others</i>		
Loans from	430,000	–
Loan to	88,379	–
<b>Shareholder/former holding company</b>		
Rental expenses	94,508	46,672
<b>Directors</b>		
Advance payments	–	41,819
Purchase of equity shares	–	37,979
Interest income	–	6,181

Related parties refer to associated company 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 2015

## 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, accumulated profits and merger reserve. The Group's overall strategy remains unchanged from 2014.

The Group is in compliance with all externally imposed capital requirements for financial years ended 31 December 2015 and 2014.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 33 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 and production of films.

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		Others		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	USD	USD	USD	USD	USD	USD	USD	USD
<b>Segment revenue</b>	<b>16,302,437</b>	<b>5,889,262</b>	<b>964,323</b>	<b>9,376,942</b>	<b>501,134</b>	<b>333,247</b>	<b>17,767,894</b>	<b>15,599,451</b>
<b>Segment losses</b>	<b>(1,420,462)</b>	<b>(2,213,103)</b>	<b>(84,023)</b>	<b>(3,523,725)</b>	<b>(43,665)</b>	<b>(125,230)</b>	<b>(1,548,150)</b>	<b>(5,862,058)</b>
Impairment loss on film production inventories								
Unallocated expenses:								
Share of results of associate								
Depreciation and amortisation								
Finance costs								
Loss before tax								
Tax expense								
Loss for the year								
<b>Segment assets</b>	<b>25,256,490</b>	<b>4,159,202</b>	<b>1,493,974</b>	<b>6,622,321</b>	<b>302,768</b>	<b>186,058</b>	<b>27,053,232</b>	<b>10,967,581</b>
Unallocated assets								
Total assets								
<b>Segment liabilities</b>	<b>26,262,028</b>	<b>4,304,356</b>	<b>1,553,454</b>	<b>6,853,437</b>	<b>416,207</b>	<b>159,922</b>	<b>28,231,689</b>	<b>11,317,715</b>
Unallocated liabilities								
Total liabilities								
							<b>40,616,316</b>	<b>14,615,075</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 33 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, other receivables, loan to a related party, investment, deferred tax assets and cash and cash equivalents.

### 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, deferred tax liabilities and tax payables 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 of the Group are all located in Korea.

### Information about major customers

Revenue from one (2014: two) customer who individually contributed 10% or more of the Group's revenue amounted to USD16,604,000 (2014: USD5,102,000 and USD4,531,000 respectively) and are attributable to the Distribution of film segment (2014: Distribution of film and Production of film segments).

## 34 COMPARATIVE FIGURES AND PRIOR YEAR ADJUSTMENTS

Comparative figures have been restated principally due to prior year adjustments arising from the following:

### (a) Prior year adjustment in accordance with FRS 103 Business Combinations

The financial statements for 2014 have been restated to reflect the effects of the retrospective adjustment of the goodwill arising from the finalisation of the fair values of the assets and liabilities, relating to the acquisition of UAA, which was acquired during the financial year ended 31 December 2014. In accordance with FRS 103 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 FRS 103 Business Combinations, the provisional goodwill has been revised for the recognition of the fair value adjustment to the brand name recorded in the "Intangible assets" account of UAA.

Consequently, adjustments were made to the Intangible assets and Non-controlling interests balances in the balance sheet.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

### 34 COMPARATIVE FIGURES AND PRIOR YEAR ADJUSTMENTS (CONT'D)

#### (b) Change in accounting policy

In the current financial year, the Group has reassessed that in film businesses where the Group acted as Presenter and Producer and was a principal for the Presenter's role in the production of the film, funds received from external investors for specific film production projects were financing arrangements for the Group's film production projects and the Group's revenue for these projects would comprise the entire box office proceeds received from the distributor upon the film's screening at movie theatres.

For these films, the funds received from external investors were recorded in "film obligations and production loans" ("FOPL") in the Group's balance sheet and classified as financing activities in the Group's statement of cash flows. Upon the screening of the specific film titles associated with the financing, the investors' entitled share of the box office proceeds would 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 would be recognised as "profit on film to be distributed to external investors" in other expense. Where the share of box office proceeds payable to the investors was lesser than the equivalent FOPLs, the film made a loss and the proportionate loss would be deducted against the FOPLs is recognised as "loss on firm borne by external investors" in other income.

#### (c) Reclassification

Impairment loss on film production inventories was reclassified from "General and administrative expenses" to "Other expenses" to conform to current year's presentation.

The effects of the above matters on the Group's statement of profit or loss and other comprehensive income, balance sheet and statement of cash flows for the financial year ended 31 December 2014 are as follows:

	2014	
	As previously reported USD	As restated USD
<b>Group</b>		
<u>Statement of profit or loss and other comprehensive income</u>		
Revenue	16,059,566	15,599,451
Other income	505,922	966,037
General and administrative expenses	(7,756,353)	(6,301,472)
Other expenses	–	(1,454,881)
<u>Balance sheet</u>		
Intangible assets	3,517,653	3,402,955
Trade and other payables	6,285,007	9,738,980
Film obligations and production loans	4,100,276	646,303
Non-controlling interests	1,244,179	1,129,481
<u>Statement of cash flows</u>		
Net cash used in operating activities	(10,241,003)	(11,796,291)
Net cash generated from financing activities	14,164,106	15,719,394

### 35 AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of the Group for the financial year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors dated 8 April 2016.

## STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2016

Issued and paid-up capital	:	S\$32,161,307
Number of issued shares	:	398,770,209
Class of shares	:	Ordinary
Number of treasury shares	:	Nil
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	2	0.21	59	0.00
100 – 1,000	15	1.54	10,600	0.00
1,001 – 10,000	115	11.82	829,500	0.21
10,001 – 1,000,000	815	83.76	102,699,034	25.75
1,000,001 and above	26	2.67	295,231,016	74.04
<b>TOTAL</b>	<b>973</b>	<b>100.00</b>	<b>398,770,209</b>	<b>100.00</b>

### TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	RAFFLES NOMINEES (PTE) LTD	175,637,300	44.04
2	BANK OF SINGAPORE NOMINEES PTE LTD	53,520,000	13.42
3	OCBC SECURITIES PRIVATE LTD	11,376,075	2.85
4	CHUEN HING PETROLEUM AND CHEMICALS HOLDINGS LIMITED	6,000,000	1.50
5	PHILLIP SECURITIES PTE LTD	4,995,100	1.25
6	NOMURA SINGAPORE LIMITED	3,950,000	0.99
7	LIM CHER KHIANG	3,879,400	0.97
8	TH STRATEGIC INVESTMENTS PTE LTD	3,800,000	0.95
9	JUNG SUK YOUNG	3,460,209	0.87
10	CHAN WING KEEN	3,400,000	0.85
11	CIMB SECURITIES (SINGAPORE) PTE LTD	2,930,026	0.73
12	UOB KAY HIAN PTE LTD	2,284,806	0.57
13	LIM SER HENG	2,030,000	0.51
14	DBS NOMINEES PTE LTD	1,929,300	0.48
15	LEE PENG SHARMAYNE MRS. SHARMAYNE SHUM	1,786,900	0.45
16	MAYBANK KIM ENG SECURITIES PTE LTD	1,571,900	0.39
17	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,525,000	0.38
18	KGI FRASER SECURITIES PTE LTD	1,428,500	0.36
19	ESTHER EE BOON AI	1,427,900	0.36
20	CHIA TAI TONG	1,350,000	0.34
	<b>TOTAL</b>	<b>288,282,416</b>	<b>72.26</b>



## STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2016

### SUBSTANTIAL SHAREHOLDERS

NAME OF SHAREHOLDER	DIRECT INTEREST		DEEMED INTEREST	
	NO. OF SHARES	%	NO. OF SHARES	%
SPACKMAN EQUITIES GROUP INC.	154,620,000	38.77	–	–
LEE TAE HUN	28,360,000	7.11	–	–
LEE YOO JIN	23,160,000	5.81	–	–

### SHAREHOLDINGS HELD IN HANDS OF PUBLIC

On the basis of the information available to the Company as at 15 March 2016, approximately 47.44% 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 Orchid Country Club, 1 Orchid Club Road, Sapphire I, Level 2, Singapore 769162 on Thursday, 28 April 2016 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 2015 together with the Auditors’ Report thereon.

(Resolution 1)

2. To re-elect Ms Yoo Jin Lee (“**Ms Eugene Lee**”) who is retiring pursuant to the Company’s Constitution and who, being eligible, offers herself for re-election.

Ms Eugene Lee will, upon re-election as a Director of the Company, remain as an Executive Director and Chief Producer of the Company.

*[See Explanatory Note (a)]*

(Resolution 2)

3. To re-elect Ms Thong Yuen Siew Jessie (“**Mrs Jessie Ho**”) who is retiring pursuant to the Company’s Constitution and who, being eligible, offers herself for re-election.

Mrs Jessie Ho will upon re-election as Director of the Company, remain as the Lead Independent Director of the Company, Chairman of the Nominating Committee and a member of the Audit and Risk Management Committee and Remuneration Committee of the Company. She 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**”).

*[See Explanatory Note (b)]*

(Resolution 3)

4. To approve the payment of Directors’ fees of US\$108,000 (2015: US\$108,000) for the financial year ending 31 December 2016, 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 of the Company 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

THAT pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the “**Act**”) and Rule 806 of the Catalist Rules, the Directors of the Company be authorised and empowered to:

- (l) (i) allot and issue shares in the capital of the Company (“**Shares**”) whether by way of rights, bonus or otherwise; and/or

## NOTICE OF ANNUAL GENERAL MEETING

- (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures, convertible securities or other instruments convertible into Shares,

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

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

provided that:

- (a) the aggregate number of Shares to be allotted and issued (including Shares to be issued in pursuance of Instruments made or granted) pursuant to this Resolution, shall not exceed one hundred per cent (100%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of Shares to be allotted and issued (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) other than on a pro rata basis to the existing shareholders of the Company shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (b) below) or such other limit as may be prescribed by the Catalist Rules as at the date this Resolution is passed;
- (b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) that may be issued under sub-paragraph (a) above, the percentage of the total number of issued Shares (excluding treasury shares) shall be based on the Company's total number of issued Shares (excluding treasury shares) at the time this Resolution is passed, after adjusting for:
  - (i) new Shares arising from the conversion or exercise of any convertible securities;
  - (ii) new Shares arising from exercising of share options or vesting of share awards which are outstanding and/or subsisting at the time of the passing of this Resolution, provided the share options or share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and
  - (iii) any subsequent bonus issue, consolidation or subdivision of Shares;
- (c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), and all applicable legal requirements under the Act and the Constitution for the time being of the Company;

## NOTICE OF ANNUAL GENERAL MEETING

- (d) the authority conferred by this Resolution shall, unless revoked or varied by the Company in general meeting, continue to be in force until the conclusion of the Company's next annual general meeting or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (c)]

(Resolution 6)

### 8. 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 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 (d)]

(Resolution 7)

### 9. 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;

## NOTICE OF ANNUAL GENERAL MEETING

- (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 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 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
- (ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price, where:

**"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;

**"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

**"market day"** means a day on which the SGX-ST is open for trading in securities; and

## NOTICE OF ANNUAL GENERAL MEETING

- (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 (e)]

**(Resolution 8)**

By Order of the Board

Mr Charles Choi Spackman  
 Executive Chairman  
 Singapore  
 13 April 2016

### Explanatory Notes:

- (a) Information on Ms Eugene Lee can be found in the section "Board of Directors" of the annual report.
- (b) Information on Mrs Jessie Ho can be found in the section "Board of Directors" of the annual report.
- (c) The Resolution 6 in item 7, if passed, will empower the Directors of the Company, effective until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue Shares and/or convertible securities in the Company, without seeking any further approval from shareholders in general meeting but within the limitation imposed by this Resolution 6, for such purposes as the Directors may consider would be in the best interest of the Company. The number of Shares and convertible securities that the Directors may allot and issue under this Resolution 6 would not exceed one hundred per cent. (100%) of the total number of issued Shares (excluding treasury shares) at the time of passing of this Resolution 6. For issue of Shares and convertible securities other than on a pro-rata basis to all shareholders, the aggregate number of Shares and convertible securities to be issued shall not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares) at the time of passing of this Resolution 6.
- (d) The Resolution 7 in item 8, 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.
- (e) The Resolution 8 in item 9, 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), at prices up to but not exceeding the Maximum Price (as defined above), as at the date of the passing of this Resolution 8. 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<sup>#</sup> 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<sup>#</sup> 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.

<sup>#</sup> *Relevant intermediary means:*

- (a) *a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; 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.

## SPACKMAN ENTERTAINMENT GROUP LIMITED

(Company Registration No.: 201401201N)  
(Incorporated in the Republic of Singapore)

### PROXY FORM ANNUAL GENERAL MEETING

#### 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 13 April 2016.

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.

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 Shares	Proportion of shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Number of 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 Orchid Country Club, 1 Orchid Club Road, Sapphire I, Level 2, Singapore 769162 on Thursday, 28 April 2016 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*
	<b>Ordinary Business</b>		
Resolution 1	To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2015 and the Auditor's Report thereon		
Resolution 2	To re-elect Ms Yoo Jin Lee as a Director of the Company		
Resolution 3	To re-elect Ms Thong Yuen Siew Jessie as a Director of the Company		
Resolution 4	To approve the payment of Directors' fees of US\$108,000 for the financial year ending 31 December 2016, 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		
	<b>Special Business</b>		
Resolution 6	To approve and authorise the Directors to allot and issue shares in the capital of the Company		
Resolution 7	To approve and authorise the Directors to allot and issue shares under the Spackman Entertainment Group Limited Employee Share Option Scheme		
Resolution 8	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 \_\_\_\_\_ 2016

\_\_\_\_\_  
Signature(s) of Member(s)/Common Seal

**IMPORTANT.** Please read notes overleaf

#### Total Number of Ordinary Shares Held

CDP Register	
Register of Members	





**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.

Please  
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**SPACKMAN ENTERTAINMENT GROUP LIMITED**

c/o The Share Registrar  
Tricor Barbinder Share Registration Services  
80 Robinson Road  
#11-02  
Singapore 068898

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.





# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Charles Spackman (Executive Chairman)  
Eugene Lee (Executive Director and Chief Producer)  
Jessie Ho (Lead Independent Director)  
Anthony Wong (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)  
Charles Spackman  
Anthony Wong

## 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, Income at Raffles  
Singapore 049318

## PRINCIPAL PLACE OF BUSINESS

### South Korea

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

### Hong Kong

917-920 One Island South  
2 Heung Yip Road, Wong Chuk Hang  
Hong Kong

### Singapore

390 Orchard Road  
#04-01 Palais Renaissance  
Singapore 238871  
Tel: +65 6694 4175  
Fax: +65 6694 4548

## 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  
600 North Bridge Road  
#05-01 Parkview Square  
Singapore 188778

Partner-in-Charge: Ong Kian Guan  
Fellow of Institute of Singapore Chartered Accountants (ISCA)  
(Appointed since 10 February 2014)

## PRINCIPAL BANKERS

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

## CATALIST SPONSOR

PrimePartners Corporate Finance Pte. Ltd.  
16 Collyer Quay  
#10-00, Income at Raffles  
Singapore 049318

## MEDIA AND INVESTOR RELATIONS

Citigate Dewe Rogerson, i.Mage Pte Ltd  
55 Market Street, #02-01  
Singapore 048941

Ms Chia Hui Kheng/Ms Renee Goh  
+65 6534 5122

The background of the entire page is a close-up, artistic shot of a camera lens. The lens is out of focus, showing concentric circles and a bokeh effect. In the center of the lens, there is a small, clear circular area where a small, colorful fish is visible, swimming. The overall color palette is dominated by blues, greys, and soft whites from the light reflecting off the lens elements.

## 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](http://www.spackmanentertainmentgroup.com)