spackmanentertainmentgroup









ANNUAL
REPORT
2017

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This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. (the "**Sponsor**") for compliance with the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist. 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 Mr Mah How Soon, Registered Professional, RHT Capital Pte. Ltd. 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619, Tel: 6381 6757.

CORPORATE PROFILE

ABOUT SPACKMAN ENTERTAINMENT GROUP

Listed on the Catalist of the Singapore Exchange Securities Trading Limited on 22 July 2014, Spackman Entertainment Group Limited (**"SEGL"**), 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. In addition to our film business, we also make investments into entertainment companies and film funds that can financially and strategically complement our existing core operations.

SEGL's Zip Cinema Co., Ltd. (**"Zip Cinema"**) is one of the most recognised film production labels in Korea and has originated and produced some of Korea's most commercially successful theatrical films, consecutively producing 8 profitable movies since 2009 representing an industry leading track record. Recent theatrical releases of Zip Cinema's motion pictures include some of Korea's highest grossing and award-winning films such as *MASTER* (2016), *THE PRIESTS* (2015), *COLD EYES* (2013), and *ALL ABOUT MY WIFE* (2012). For more information on Zip Cinema, do visit http://zipcine.com

SEGL also owns 51% of the equity interest in Novus Mediacorp Co., Ltd. (**"Novus Mediacorp"**), an investor, presenter, and/or ancillary distributor for a total of 76 films (53 Korean and 23 foreign) including *THE OUTLAWS*, *SECRETLY, GREATLY*, which was one of the biggest box office hits of 2013 starring Kim Soo-hyun of *MY LOVE FROM THE STARS* fame, as well as *FRIEND 2: THE GREAT LEGACY*. In 2012, Novus Mediacorp was also the ancillary distributor of *ALL ABOUT MY WIFE*, a top-grossing romantic comedy produced by Zip Cinema. In February 2018, *THE OUTLAWS*, co-presented by Novus Mediacorp broke the all-time highest Video On Demand ("**VOD**") sales records in Korea. For more information on Novus Mediacorp, do visit http://novusmediacorp.com

The Group's films are theatrically distributed and released in Korea and overseas markets, as well as for subsequent post-theatrical worldwide release in other forms of media, including cable TV, broadcast TV, IPTV, VOD, and home video/DVD, etc. The Group releases all of its motion pictures into wide-theatrical exhibition initially in Korea, and then in overseas and ancillary markets.

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

On 31 March 2017, the Group completed the acquisition of 100% equity interest in Frame Pictures Co., Ltd. (**"Frame Pictures"**). Frame Pictures is a leader in the movie/drama equipment leasing business in Korea. Established in 2014, Frame Pictures has worked with over 25 top directors and provided the camera and lighting equipment for some of Korea's most notable drama and movie projects including *THE LEGEND OF THE BLUE SEA* (2016) featuring Jeon Ji-hyeon and Lee Min-ho, as well as *VETERAN* (2015), the number one movie at the Korean box office in 2015 starring Yoo Ah-in.

On 27 October 2017, the Company completed the acquisition of 100% equity interest in Take Pictures Pte. Ltd. (**"Take Pictures"**) which owns a strong lineup of 10 film projects including the co-production with Zip Cinema for *THE PRIESTS 2*.

On 25 January 2018, the Company completed the acquisition of 100% equity interest in Constellation Agency Pte. Ltd. (**"Constellation Agency"**). Constellation Agency, which owns The P Factory Co., Ltd. (**"The P Factory"**) and Platform Media Group Co., Ltd. (**"PMG"**), is primarily involved in the business of overseas agency for Korean artists venturing into the overseas market. The P Factory is an innovative marketing solutions provider specialising in event and branded content production. PMG is a talent management agency which represents and manages the careers of major artists in film, television, commercial endorsements, and branded entertainment.

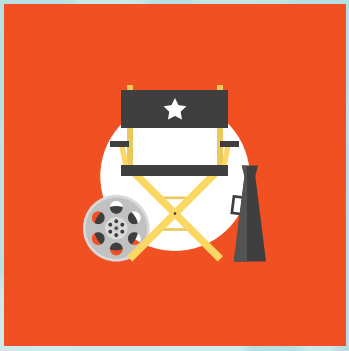
For more details, do visit http://www.spackmanentertainmentgroup.com/

SPACKMAN MEDIA GROUP

The Group is a strategic shareholder of Spackman Media Group Limited (**"SMGL"**). SMGL, a company incorporated in Hong Kong, together with its subsidiaries, collectively is the largest entertainment talent agency in Korea in terms of the number of artists under management, including some of the top names in the Korean entertainment industry. SMGL operates its talent management business through renowned agencies such as MS Team Entertainment Co., Ltd., UAA & Co Inc., Fiftyone K Inc., SBD Entertainment Inc., and Kook Entertainment Co., Ltd.

SMGL, through its full-service talent agencies in Korea, represents and guides the professional careers of a leading roster of award-winning actors/actresses in the practice areas of motion pictures, television, commercial endorsements, and branded entertainment. SMGL leverages its unparalleled portfolio of artistes as a platform to develop, produce, finance and own the highest quality of entertainment content projects, including theatrical motion pictures, variety shows, and TV dramas.

MESSAGE FROM CHAIRMAN & CEO



Dear Shareholders,

On behalf of the Board of Spackman Entertainment Group Limited ("**Spackman Entertainment Group**" or the "**Company**" and together with its subsidiaries, the "**Group**"), I wish to present to you the Group's performance for the financial year ended 31 December 2017 ("**FY2017**"). In 2017, we successfully executed our strategy of diversifying revenue streams and focusing on producing only the top quality content while leveraging the artist platform of our associated company, Spackman Media Group Limited ("**SMGL**"), and we are pleased to record a positive turnaround for FY2017. The Group's prospects are now stronger than at our IPO as we strive to consistently post profitability and growth.

SWINGING TO PROFITABILITY IN FY2017

We achieved a net profit of US$3.0 million as compared to a net loss of US$2.6 million for the same period last year. Profitability came on the back of a 36% year-on-year increase in revenue to US$20.6 million for FY2017 from the recognition of share of profit for acting as producer of *MASTER*, Video On Demand ("**VOD**") sales for *THE OUTLAWS* and contribution from newly acquired subsidiary, Frame Pictures Co., Ltd.

Our crime-action film *MASTER*, produced by the Group's wholly-owned indirect subsidiary, Zip Cinema Co., Ltd. ("**Zip Cinema**"), sold over 7.1 million tickets and grossed over US$53.4 million in South Korea.

Revenue increased 36% year-on-year to US$20.6 million for FY2017 mainly as a result of an increase of US$0.7 million from distribution of films and others, an increase of US$2.3 million from leasing equipment business of Frame Pictures Co., Ltd. ("**Frame Pictures**"), and an increase of US$2.3 million from production of films. The increase in revenue from distribution and production of films and others was mainly due to the recognition of the share of profit of US$4.2 million from production fees and investment returns in connection with *MASTER* and US$2.6 million from VOD sales for the ancillary market in Korea for *THE OUTLAWS*, co-presented the Group's 51%-owned subsidiary, Novus Mediacorp Co., Ltd. ("**Novus Mediacorp**").

SETTING CONSECUTIVE TRACK RECORDS OF QUALITY KOREAN BLOCKBUSTERS

The Group's manhunt thriller movie, *GOLDEN SLUMBER*, starring Gang Dong-won and Han Hyo-joo, was released in Korea and Singapore on 14 February 2018 and 8 March 2018 respectively. Following *GOLDEN SLUMBER*, Zip Cinema will be producing a Korean financial crisis movie, *SOVEREIGN DEFAULT*, starring top Korean actors Yoo Ah-in, who is managed by the Group's associated company, SMGL, and Kim Hye-soo. The film, also distributed by CJ Entertainment, commenced filming at the end of 2017 and is targeted to open in Korean theatres in the second half of 2018. The estimated total production budget (including prints and advertising costs) for *SOVEREIGN DEFAULT* is tentatively set at approximately KRW 9.7 billion (or US$8.6 million).

NEW ACQUISITIONS TO ADD ACCRETIVE VALUE TO EXISTING BUSINESS

One of the core strategies of the Group is to acquire companies that can diversify our revenue streams and/or add accretive value to our existing film production business. During 2017, the Group added two wholly-owned subsidiaries, Studio Take Co., Ltd. ("**Studio Take**"), acquired on 27 October 2017, and Frame Pictures, acquired on 31 March 2017. Both companies are on track to deliver a healthy pipeline of quality projects that will benefit the Group's overall performance in the next financial year.

Headed by 15-year veteran movie producer, Song Dae-chan, Studio Take is well-positioned to deliver similar success as Zip Cinema. Studio Take currently has developed and owns a strong lineup of 10 film projects including the co-production of *THE PRIESTS 2* with the Company's indirect wholly-owned subsidiary, Zip Cinema. *THE PRIESTS 2* is the sequel to one of Korea's most commercially successful theatrical films of 2015, *THE PRIESTS*, which was produced by Zip Cinema. On 30 October 2017, Studio Take commenced filming of a human drama movie, *DAMAGED*, which is slated to be released by the second half of 2018 subject to changes in final filming schedule.

As part of the Group's strategy of providing seed financing to industry veterans with successful track records in order to strengthen our existing operation, we also invested in The Makers Studio Co. Ltd. ("**The Makers Studio**"), a startup Korean film production firm. The Makers Studio plans to produce and release four films from 2018 to 2020, the first of which will be *THE ISLAND OF THE GHOST'S WAIL*, a comedy horror film with a tentative budget of KRW3 billion, approximately US$2.7 million, excluding prints and advertising costs. The film is scheduled to be released in the second half of 2019.

On 25 January 2018, the Group completed its acquisition of Constellation Agency Pte. Ltd. ("**Constellation Agency**"), which is primarily involved in the business of representing and advising Korean artists in overseas markets outside of Korea. Constellation Agency owns The P Factory Co., Ltd., an innovative marketing solutions provider and Platform Media Group Co., Ltd., a talent agency which represents drama and film artists such as Wang Ji-won, Lee Ji-hun, Han Ji-an and Oh Cho-hee. The acquisition of Constellation Agency will allow the Group to leverage on both talent management platform and unique marketing expertise to participate in top quality integrated content. The Group will also explore and pursue strategic opportunities for potential collaboration between Constellation Agency and SMGL.

PURSUING UNIQUE COLLABORATION OPPORTUNITIES WITH KOREA'S LARGEST ENTERTAINMENT TALENT AGENCY

The portfolio of artists under SMGL, Korea's largest entertainment talent agency in terms of the number of artists, serves as an invaluable platform for the Group to access investment opportunities in the highest quality content projects as well as benefit from the association with Korean celebrities in Southeast Asia through unique collaborations with SMGL.

In 2017, the Group and its associated company, SMGL, co-invested into Singapore-based, leading customisable skincare brand Skin Inc. Global Pte Ltd. In partnership with SMGL, the Group has been exploring investment opportunities in businesses across a range of industries that offer compelling growth opportunities, such as Skin Inc Global Pte Ltd. The Group hopes to accelerate the performance of these brands through strategic partnerships with SMGL's artists and through leveraging its entertainment content projects.

In May 2017, Skin Inc Global Pte Ltd announced the appointment of South Korean top actress, Son Ye-jin, to serve as its first brand evangelist. She is represented by MS Team Entertainment Co., Ltd ("**MS Team**"), one of the renowned talent management agencies under SMGL. In November 2017, the Group invested approximately US$450,000 into fantasy melodrama film *BE WITH YOU*, headlined by Korean megastars Son Ye-jin and So Ji Sub, who is represented by Fiftyone K Inc.("**51k**"), a wholly-owned subsidiary of SMGL. The film, co-presented by MS Team and 51k, opened #1 at the Korean box office on the first day of its wide release and broke the all-time first week box office historical record for romance film. The Group views *BE WITH YOU* as an exemplary project that enables the Group to benefit from a multitude of direct and indirect channels including investment return, artists fees and co-presenting fees.

INITIAL COIN OFFERING PLAN

In its objective to fund artist and content projects via crypto-currency, the Group intends to partner with SMGL to leverage on both its content and talent management platforms to develop the pre-eminent crypto-currency in the Korean entertainment sector. The Group is presently in discussions with several parties to explore various ways to utilise cryptocurrency for projects in connection with its artists and content.

FORAY INTO DRAMA PRODUCTION BUSINESS

As part of our plan to expand and revise our business portfolio to diversify our revenue stream and to capitalise on the rising popularity of Korean entertainment in Southeast Asia, we have been preparing to enter the Korean drama series production business. The Group will form a strategic partnership with Mongjakso Co. Ltd. ("**Mongjakso**") to co-develop and co-produce TV dramas including upcoming drama, starring So Ji Sub of SMGL, which is slated to be released in the second half of the year.

The collaboration with Mongjakso will enable the Group to accelerate its plans to foray into drama production business by tapping on their expertise and capability in producing quality TV dramas.

In addition, the Group announced that Son Ye-jin shall star in upcoming Korean drama, *PRETTY SISTER WHO BUYS ME FOOD*, in which she will be one of the highest paid actresses ever in the history of K-drama.

UNLOCKING POTENTIAL VALUE OF SPACKMAN MEDIA GROUP LIMITED

Besides pursuing unique collaboration opportunities with SMGL, the Group is also currently considering various strategic alternatives that we believe can maximise the value of SMGL for our shareholders. We believe that the platform of artists of SMGL, which is one of the largest in Korea, has the potential to unlock significant value for the Group, which owns an effective shareholding interest of 34% in SMGL.

IN APPRECIATION

I would like to take this opportunity to extend my warmest appreciation to all of our stakeholders, including our shareholders, partners and associates for their continued support.

ANTHONY WONG
Non-executive &
Independent Chairman

RICHARD LEE
Interim Chief Executive Officer &
Executive Director

FINANCIAL HIGHLIGHTS (All figures in US$)

REVENUE
FY 2017 ↑36%
20.6 MILLION
15.1 MILLION
FY 2016

PROFIT/(LOSS)
FY 2017
3.0 MILLION
(2.6) MILLION
FY 2016

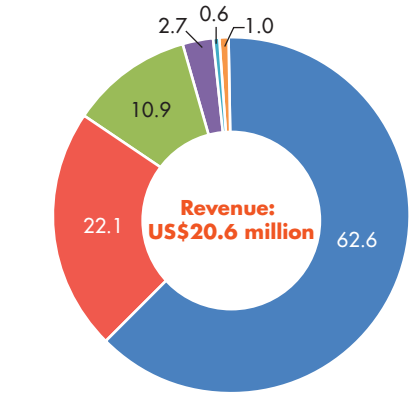
TOTAL SHAREHOLDERS' EQUITY
FY 2017 ↑130%
28.9 MILLION
12.6 MILLION
FY 2016

CURRENT RATIO
31 Dec 2017
1.7

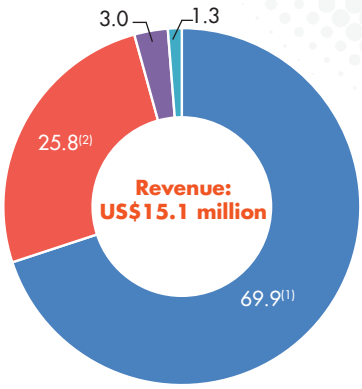
DEBT TO EQUITY
31 Dec 2017
0.1

REVENUE BREAKDOWN

FY2017 (%)



FY2016 (%)



Production of films | Distribution of films and others | Leasing of equipment | Restaurant sales and café lounge business | Photography | Others

Notes:

(1) This comprised the fixed fee when the Group only undertakes the role of the producer and share of profit from films for acting as the producer.

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

OUR BUSINESS

Invest into companies and funds involved in the entertainment sector that financially and strategically complement existing core operations

THEATRICAL FILM

- Participate in our own film projects as an investor, producer, presenter and distributor

영화사 집 ZIP CINEMA

NOVUS MEDIACORP

Take Pictures Pte. Ltd

The Makers Studio Co., Ltd

spackmanentertainmentkorea

OTHER BUSINESSES

- Associated company, Spackman Media Group Limited, together with its subsidiaries, is collectively one of the largest entertainment talent agencies in Korea in terms of the number of artistes under management and using this talent management platform to participate in content
- Constellation Agency is primarily involved in the business of overseas agency for Korean artists venturing into the overseas market
- Frame Pictures is the leader in the movie/drama equipment leasing business in Korea
- Upper West is the café-lounge in the Gangnam district of Seoul
- Noon pictures is a professional photography studio
- Skin Inc. Global is a leading Singapore-based skincare brand
- Nunsongyee is a popular Korean dessert café chain in Singapore

spackmanmediagroup

Constellation Agency Pte. Ltd.

UPPER WEST

프레임 FRAME PICTURES

NunSongYee 눈송이

SKIN INC

noon pictures

FILM BUSINESS MODEL

TOTAL BOX OFFICE REVENUE (100%)

(Minus)

THEATRE OPERATOR FEES (50%)

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



(Minus)

DISTRIBUTION FEE & MARKETING COSTS & PRESENTER FEE

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



(Minus)

TOTAL PRODUCTION BUDGET

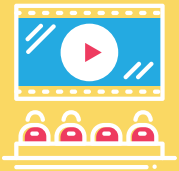
Production Budget and P&A* Budget



(Plus)

ANCILLARY & INTERNATIONAL SALES

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



(Equal)

NET PROCEEDS FROM REVENUE



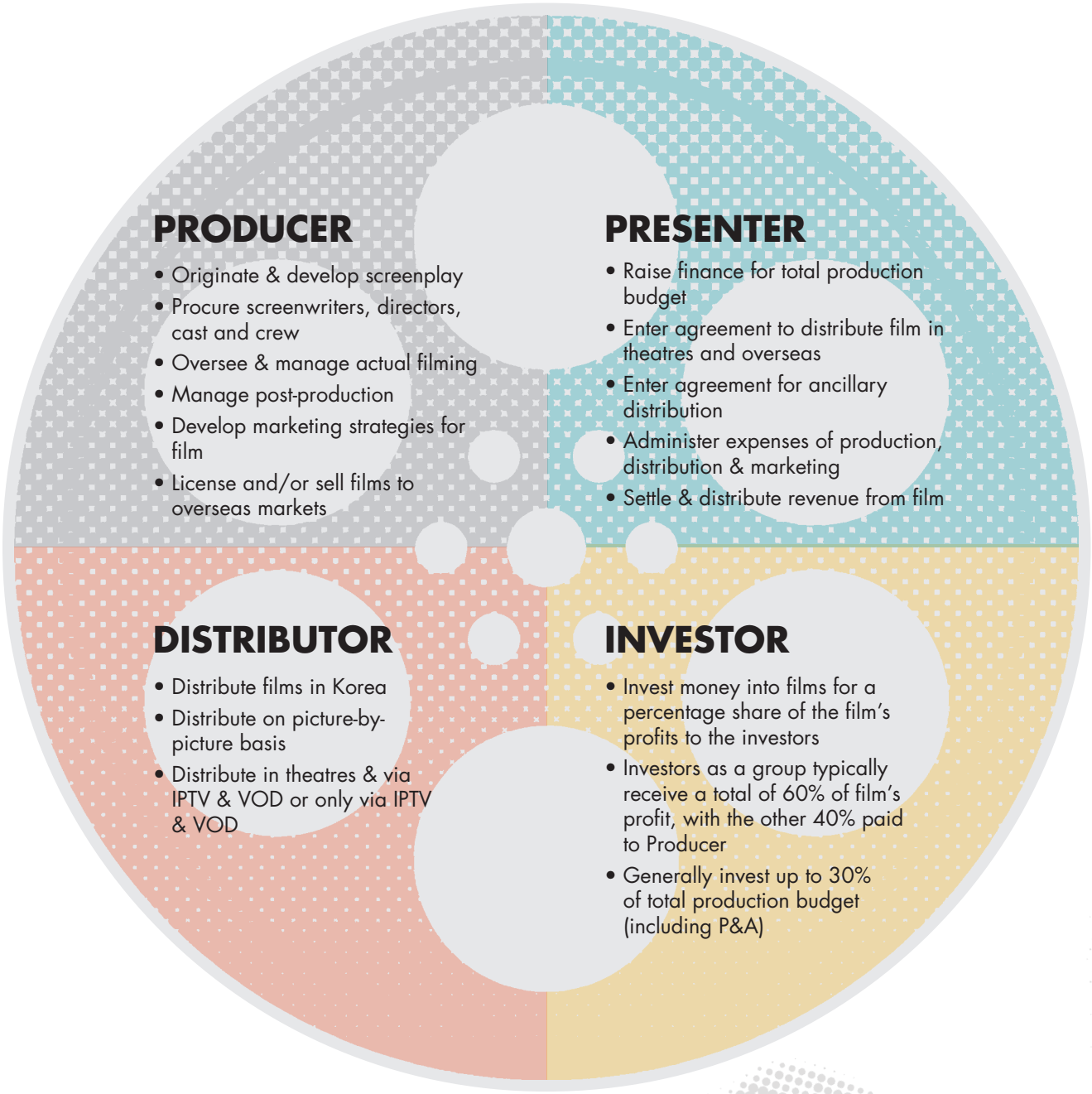
PRODUCER RECEIVES 40% OF PROFITS



INVESTOR RECEIVES 60% OF PROFITS

*P&A: Prints and advertising

OUR THEATRICAL FILM BUSINESS



OPERATIONS AND FINANCIAL REVIEW



OPERATIONS REVIEW

KEY ACQUISITIONS & INVESTMENTS

In FY2017, the Group has taken strides in its strategy of investing into companies that can help the Group develop a more consistent revenue stream and add accretive value to the Group's existing film production business.

ACQUISITION OF FRAME PICTURES CO., LTD.

On 31 March 2017, the Group completed the acquisition of 100% equity interest of Frame Pictures Co., Ltd. ("**Frame Pictures**"). Frame Pictures is a leading movie/drama equipment leasing player in Korea's entertainment sector. Established in 2014 by veteran director of photography, Mr. Kim Jun-young, Frame Pictures has worked with over 25 top directors and provided the camera and lighting equipment for some of Korea's most notable drama and movie projects including *THE LEGEND OF THE BLUE SEA* (2016) featuring Jeon Ji-hyeon and Lee Min-ho, as well as *VETERAN* (2015), the number one movie at the Korean box office in 2015 starring Yoo Ah-in. Frame Pictures also manages a Director of Photography ("**DOP**") agency and has placed the DOP to 12 films including *ANTIQUE* (2008), produced by Spackman Entertainment Group's indirectly wholly-owned subsidiary, Zip Cinema Co. Ltd. ("**Zip Cinema**"). In 2015, Frame Pictures became the first Korean firm to offer 4k resolution post-production services.

On 16 August 2017, Frame Pictures has secured the contract to supply camera systems and equipment for the upcoming thriller movie, *DECEPTIVE MURDER*. The total contract value for the project is KRW 220 million (approximately US$193,785).

On 18 September 2017, Frame Pictures won the contract to supply camera systems and equipment for Netflix's first Korean original production *LOVE ALARM*. The total contract value tentatively stands at KRW 320 million (approximately US$282,675) subject to changes in final filming schedule.

ACQUISITION OF TAKE PICTURES PTE. LTD.

On 27 October 2017, the Group completed the acquisition of the entire issued and paid-up share capital of Take Pictures Pte. Ltd. ("**Take Pictures**"). Take Pictures owns 100% of the equity interest in Studio Take Co., Ltd. ("**Studio Take**"), which is a development motion picture production company founded by veteran movie producer, Mr. Song Dae-chan ("**Mr. Song**") and incorporated in the Republic of Korea, is a leader in the movie/drama equipment leasing business in Korea. Mr. Song is currently the Chief Executive Officer of Studio Take.

Studio Take currently has developed and owns a strong lineup of 10 film projects including the co-production with the Zip Cinema of *THE PRIESTS 2*. *THE PRIESTS 2* is the sequel to one of Korea's most commercially successful theatrical films of 2015, *THE PRIESTS*, which was produced by Zip Cinema.

Studio Take seeks to produce top quality films that will be 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. Studio Take will release all of its motion pictures into wide-theatrical exhibition initially in Korea, and then in overseas and ancillary markets.

On 30 October 2017, the Group announced that Take Pictures' new movie, with the working title *DAMAGED* commenced filming. *DAMAGED* is slated to be released by the second half of 2018 subject to changes in final filming schedule.

ACQUISITION OF CONSTELLATION AGENCY PTE. LTD.

On 25 January 2018, the Group completed the acquisition of Constellation Agency Pte. Ltd. ("**Constellation Agency**"). Constellation Agency is primarily involved in the business of representing and advising Korean artists in overseas markets outside of Korea. It acts as agent and advisor to a selective group of major Korean artists in entertainment content projects, events, and commercial endorsements in overseas markets, namely, in Greater China, Southeast Asia and the U.S.

Constellation Agency owns The P Factory Co., Ltd., an innovative marketing solutions provider specializing in event and branded content production. The P Factory leverages on its expertise across film, television, digital media, music, and access to key talent to originate and execute creative marketing strategies that enhance the marketing position of brands of various consumer products and services. Constellation Agency also owns Platform Media Group Co., Ltd., a talent management agency which represents and manages the careers of major artists in film, television, commercial endorsements and branded entertainment.

STRATEGIC INVESTMENT IN SKIN INC. GLOBAL

On 9 March 2017, the Group and its associated company, Spackman Media Group Limited ("**SMGL**") co-invested into Singapore-based, leading customisable skincare brand Skin Inc Global Pte Ltd ("**Skin Inc**"). The investment will help Skin Inc continue growth trajectory and expand fooprint in key skincare markets in North Asia.

In partnership with SMGL, the Group has been exploring investment opportunities in businesses across a range of industries that offer compelling growth opportunities, such as Skin Inc. The Group hopes to accelerate the performance of these brands through strategic collaborations with SMG's artists and through leveraging its entertainment content projects.

In May 2017, Skin Inc announced the appointment of South Korean top actress, Son Ye-jin, to serve as its first brand evangelist. She is represented by MS Team Entertainment Co., Ltd, one of the renowned talent management agencies under SMGL.

FORAY INTO DRAMA PRODUCTION BUSINESS

On 7 September 2017, the Group announced that it will enter into the Korean drama series production business, commencing with a co-production partnership agreement with Mongjakso Co., Ltd. ("**Mongjakso**"), a Korean producer of TV dramas (the "**Partnership Agreement**").

Under the Partnership Agreement, the Group and Mongjakso shall enter into definitive agreements to co-develop and co-produce two TV dramas including So Ji Sub's next major TV drama with the working title *THE GAME*, which is expected to be released in 2018.

Headed by Yoo Byoung Sool, who has nearly 20 years of experience in the Korean entertainment industry, Mongjakso focuses mainly on the production of Korean TV soap operas/dramas and movies. Some of its notable works in its portfolio include the production of Korean dramas such as *HI! SCHOOL: LOVE ON* (2014), *MY LOVE EUN-DONG* (2015) and *OH MY VENUS* (2015), which starred So Ji Sub who is represented by Fiftyone K Inc., one of the renowned talent management agencies under the Group's associated company, SMGL.

The Group has been preparing to enter into the Korean drama series production and is presently looking out for more opportunities to foray into this business segment in order to capitalise on the rising popularity of Korean drama in Southeast Asia.

THEATRICAL FILM BUSINESS

Zip Cinema's *GOLDEN SLUMBER*, which was released on 14 February 2018 in Korea, was sold internationally across various regions in Asia, Australia, New Zealand and the U.S. The distribution rights of *GOLDEN SLUMBER* were purchased by Taiwan (Movie Cloud), Hong Kong (Megaton), India (MVP) and Australia and New Zealand (JnJ Entertainment). In Southeast Asia, the film is sold to Singapore, Malaysia and Brunei (Clover Films), Thailand and Cambodia (Coral Culture Contents) and the Philippines (Viva). Starring leading Korean actors, Gang Dong-won and Han Hyo-joo, *GOLDEN SLUMBER* was released in Singapore on 8 March 2018. The total production budget (including prints and advertising costs) for *GOLDEN SLUMBER* is approximately KRW10.5 billion (US$9.7 million).

OPERATIONS AND FINANCIAL REVIEW

The Group invested approximately US$450,000 into Korean film, *BE WITH YOU*, which was released in Korea on White Day, 14 March 2018. The film, which has a total production budget of KRW7.8 billion (US$7.3 million), stars top-tier actors Son Ye-jin and So Ji-sub who are managed by SMGL. The film will be released in Singapore on 19 April 2018.

Following *GOLDEN SLUMBER*, Zip Cinema will be producing a Korean financial crisis movie, *SOVEREIGN DEFAULT*, starring leading Korean actors Yoo Ah-in, who is managed by SMGL and Kim Hye-soo. The film, also distributed by CJ Entertainment, has commenced filming at the end of 2017 and targeted to open in Korean theatres in the second half of 2018. The estimated total production budget (including prints and advertising costs) for *SOVEREIGN DEFAULT* is tentatively set at approximately KRW9.7 billion (or US$8.6 million).

Take Pictures' new movie, with the working title, *DAMAGED*, has commenced filming and is slated to be released by second half of 2018. *DAMAGED* is a human drama film starring Dae-Myung Kim of *GOLDEN SLUMBER* (2017) & *BLUEBEARD* (2017), Chae-eun Jeon of *ANNE OF GREEN GABLES* (MUSICAL) (2017), Eui-sung Kim of *TRAIN TO BUSAN* (2016) & *GOLDEN SLUMBER* (2017) and Yun-ah Song of *THE K2* (2016).

On 16 November 2017, the Group invested KRW 250 million (or US$225,000) in the seed financing round for The Makers Studio Co. Ltd. ("**The Makers Studio**"), a Korean film production company. Pursuant to the investment, the Company owns 20% equity interest in The Makers Studio. The Makers Studio is established by three Korean entertainment industry veterans: Ms. Kim Ok-hyun, the CEO of Mother Company Entertainment Co. Ltd., a talent agency representing top actress Shin Min-a, Ms. Choi Yeon-ju, a film producer with profitable hits such as *INSANE* (2016) and *THE TRAFFICKERS* (2012), and Ms. Moon Bo-young, a marketing expert. The Makers Studio plans to produce and release four films from 2018 to 2020, the first of which will be *THE ISLAND OF THE GHOST'S WAIL*, directed by Joo Hye-ri (*YOUNG WIDOW 2016; WHERE IS MY FRIEND'S HOUSE* 2014). The tentative budget of the comedy horror film is set at KRW3 billion, approximately US$2.7 million, excluding prints and advertising costs. The film is slated to be released in the second half of 2019.

On 2 February 2018, *THE OUTLAWS*, copresented by the Company's 51%-owned subsidiary Novus Mediacorp Co., Ltd. ("**Novus Mediacorp**"), broke the VOD sales records in Korea. Novus Mediacorp owns the distribution rights of the film for the ancillary market in Korea. *THE OUTLAWS* exceeded KRW11 billion in VOD sales, breaking the record previously held by Disney's *FROZEN*. Moreover, *THE OUTLAWS* achieved this historic milestone within the first 2 months of its launch as compared to *FROZEN* which took 10 months. The Group expects that *THE OUTLAWS* will contribute positively to its financial year ending 31 December 2018.

FUNDING ARTIST & CONTENT PROJECTS VIA CRYPTOCURRENCY

On 5 February 2018, the Group announced its plans to launch its own Korean entertainment utility tokens ("**K Coins**") through an Initial Coin Offering ("**ICO**") (the "**Proposed ICO**"). K Coins can grant token holders future access to products and services originating from Spackman Entertainment Group, including but not limited to merchandise or premium content or events related to hit movies and dramas produced by the Group. In addition, the Group intends to partner with SMGL, the largest entertainment talent agency in Korea, to allow K Coins to be used towards the participation and/or purchase of artist-based projects, such as photography works, fan meetings, concerts and merchandise. The Group looks to leverage on its content and talent management platforms to develop the pre-eminent cryptocurrency in the Korean entertainment sector.

The Proposed ICO is still at a preliminary stage of discussions with various parties and the entry of any definitive agreement(s) will be subject to, *inter alia*, completion of the Company's due diligence exercise, receipt of approval from the shareholders of the Company if necessary, all other necessary approvals and consents from the relevant parties and regulators.

FINANCIAL REVIEW

Revenue increased by 36% year-on-year ("**YoY**") to US$20.55 million in FY2017, mainly due to the following:

(i) an increase of US$4.90 million from distribution of films and others mainly due to the recognition of the share of profit of US$3.98 million for acting as the producer for *MASTER* and sales of distribution rights/video on demand ("**VOD**") sales for the ancillary market in Korea for *THE OUTLAWS* (co-presented by the Company's 51%-owned subsidiary, Novus Mediacorp Co., Ltd. "**Novus**") of US$2.60 million, offset by a decrease in distribution of motion films mainly as a result of the disposal of Opus Pictures Limited Liability Company ("**Opus Pictures**");

(ii) an increase of US$2.25 million from leasing of equipment to third parties by Frame Pictures Co., Ltd. ("**Frame Pictures**") which was acquired on 31 March 2017; and

(iii) partially offset by a decrease of US$1.98 million from production of films as the percentage-of-completion for *GOLDEN SLUMBER* and *SOVEREIGN DEFAULT* (produced by an indirectly wholly-owned subsidiary of the Company, Zip Cinema Co., Ltd "**Zip Cinema**" and presented by a third party, CJ E&M) in FY2017 was lower as compared to that for *MASTER* in FY2016.

Cost of sales decreased by 36% YoY to US$12.28 million in FY2017, mainly attributable to the following:

(i) a decrease of US$5.60 million from distribution of films and others due to fewer motion films distributed by the Group in FY2017 mainly as a result of the disposal of Opus Pictures; and

(ii) a decrease of US$1.45 million from production of films due to lower production costs incurred in FY2017 for *GOLDEN SLUMBER* and *SOVEREIGN DEFAULT* as compared to the production costs that were incurred in FY2016 for *MASTER*, based on the percentage-of-completion method.

The Group recorded a gross profit of US$8.27 million in FY2017 as compared to a gross loss of US$4.00 million in FY2016. The reversal from a gross loss margin of 26% recorded in FY2016 to a gross profit margin of 40% in FY2017 was mainly due to recognition of share of profit for acting as the producer for *MASTER* of US$3.98 million, return of investment as a passive investor for *MASTER* of US$0.20 million, gross profit from VOD sales for *THE OUTLAWS* of US$0.60 million in FY2017 and gross profit from restaurant sales and café lounge business of US$0.38 million. Newly acquired wholly owned subsidiary, Frame Pictures contributed a total of US$2.22 million to the gross profit in FY2017. Gross loss in FY2016 was mainly due to gross loss of US$4.64 million from distribution of films which was primarily attributable to the lackluster performance of four films released during FY2016, *CHASING*, *MUSUDAN*, *ONE MORE TIME* and *LIFE RISKING ROMANCE*.

Other income decreased by 61% YoY to US$3.28 million in FY2017, mainly because there was an absence of non-recurring gain of US$2.40 million in FY2016 in relation to the gain on disposal of subsidiaries, Opus Pictures and UAA Korea Co. Ltd, and the absence of loss on film borne by external investors which amounted to US$5.45 million in FY2016. This was partially offset by a gain of US$2.70 million in FY2017 on partial disposal of 497,250 shares of the Company's associated company, SMGL.

General and administrative expenses increased by 24% from US$4.89 million in FY2016 to US$6.04 million in FY2017 mainly due to the acquisition of Frame Pictures which resulted in an increase in depreciation and amortization, service fee and rental expenses.

SHARE OF RESULTS OF ASSOCIATE

The share of results of associate of a profit of US$0.04 million in FY2017 (FY2016: a loss of US$0.07 million) relates to the profit from SMGL. SMGL's profit in FY2017 was attributable to its talent management business while its losses incurred in FY2016 was mainly due to its variety show production, TV/media commercials and music video production businesses which had been disposed of in July 2016.

TAX EXPENSE

The Group recorded tax expense of US$0.70 million in FY2017 (FY2016: tax credit of US$0.13 million) mainly due to taxable earnings generated by ZIP Cinema, Novus and Frame Pictures.

PROFIT BEFORE TAX

As a result of the above, the Group recorded a profit before tax of US$3.72 million in FY2017 as compared to a loss before tax of US$2.38 million in FY2016.

DISCONTINUED OPERATION

On 19 April 2016, Spackman Entertainment Group (HK) Limited, a direct wholly-owned subsidiary of the Company and Spackman Equities Limited, an indirect wholly-owned subsidiary of the Company entered into a conditional share sale and purchase agreement with Tae Hun Lee (the "**Purchaser**"), the former Executive Director and Chief Executive Officer of the Company for the sale of the Group's 100% equity interest in Opus

OPERATIONS AND FINANCIAL REVIEW

Pictures and 51.50% equity interest in UAA Korea to the Purchaser (the "**Restructuring**").

Based on the Restructuring, the statement of profit or loss and other comprehensive income of UAA Korea was classified as a single amount, loss from discontinued operation, of US$0.37 million in FY2016.

The Restructuring has been completed the same day after receiving shareholder's approval at the extraordinary general meeting of the Company held on 12 August 2016.

FINANCIAL POSITION

NON-CURRENT ASSETS

The Group's non-current assets amounted to US$24.34 million as at 31 December 2017. The increase in non-current assets from US$7.93 million as at 31 December 2016 was mainly due to:

i) Increase in investment in associated company of US$5.87 million mainly due to additional acquisition of 1.9 million shares in SMGL at a consideration of US$5.75 million, partially offset by the subsequent disposal of 497,250 shares in SMGL of US$0.32 million as part of the purchase consideration for the acquisition of Frame Pictures and gain from SMGL of US$0.21 million. In additions, the Company invested in The Makers Studio Co., Ltd ("**Makers Studio**") of US$0.23 million;

ii) Increase in property, plant and equipment of US$4.05 million mainly attributable to Frame Pictures, which contributed US$3.73 million;

iii) Increase in intangible assets of US$4.83 million mainly attributable to goodwill of US$1.86 million and intangible assets of US$0.87 million arising from the acquisition of Frame Pictures. In addition, acquisition of Take Pictures Pte. Ltd. ("**Take Pictures**") contributed US$1.99 million to the goodwill;

iv) Increase in film production inventories of US$0.39 million mainly related to several movies in the development stage; and

v) Increase in long-term trade and other receivables of US$0.84 million mainly attributable to Frame Pictures, which contributed US$0.72 million.

CURRENT ASSETS

The Group's current assets amounted to US$21.68 million, as at 31 December 2017. The increase in current assets from US$14.08 million as at 31 December 2016 was mainly due to:

i) Increase in investments of US$1.42 million mainly attributable to investment of US$2.47 million for theatrical projects, investment in insurance products of US$0.38 million, and partially offset by a decrease in investment in short term fund investment of US$1.15 million;

ii) Increase in trade and other receivables of US$5.12 million mainly attributable to increase in loans receivables of US$1.00 million mainly in relation to short term loan to Spackman Media Group Pte. Ltd., the acquisition of Frame Pictures contributed US$0.84 million to trade and other receivables, additional trade receivables of US$2.31 million mainly as a result of VOD sales for THE OUTLAWS, and increase in advance payment of US$1.15 million related to production of film;

iii) Increase in film production inventories of US$0.75 million mainly related to several movies in the development stage; and

iv) Increase in cash and cash equivalents of US$0.30 million, mainly due to the reasons as explained under the discussion for the "Consolidated Statement of Cash Flow" below.

NON-CURRENT LIABILITIES

The Group's non-current liabilities amounted to US$3.48 million as at 31 December 2017, an increase of US$1.41 million as compared to US$2.07 million as at 31 December 2016, mainly due to the acquisition of Frame Pictures which resulted in an increase in finance lease liabilities, deferred tax liabilities and borrowings.

CURRENT LIABILITIES

The Group's current liabilities amounted to US$13.20 million as at 31 December 2017. The increase in current liabilities from US$6.73 million as at 31 December 2016 was mainly due to:

i) Increase in film obligation and production loans of US$1.67 million related to advances, which were received from investors for *GOLDEN SLUMBER* of US$2.05 million and for *DAMAGED* of US$0.37 million. *DAMAGED* is produced by Studio Take Co., Ltd ("**Studio Take**"), a wholly-owned subsidiary of Take Pictures, and partially offset by US$0.75 million due to the repayments to film investors;

ii) Increase in trade and other payables of US$5.34 million mainly in relation to the acquisition of Frame Pictures and Take Pictures which contributed US$1.28 million and US$1.08 million respectively. In addition, increase in trade and other payables of US$2.89 million mainly related to costs payable to copyright supplier of *THE OUTLAWS*;

iii) Increase in tax payables of US$0.15 million mainly due to increase in chargeable income from ZIP Cinema in FY2017;

iv) Increase in borrowings of US$0.63 million mainly due to the acquisition of Take Pictures of US$0.39 million and short term borrowing of US$0.21 million held by ZIP Cinema;

v) Increase in finance lease liabilities of US$0.65 million solely attributable to Frame Pictures; and

vi) Partially offset by a decrease in deferred revenue of US$1.97 million mainly because the minimum guarantee received for the Group's sale of distribution rights in ancillary market of films were released to revenue from distributions of films.

CONSOLIDATED STATEMENT OF CASHFLOW

As at 31 December 2017, the Group had cash and cash equivalents amounting to US$6.24 million as compared to cash and cash equivalents amounting to US$5.94 million as at 31 December 2016.

The significant cash movements during FY2017 as compared to FY2016 can be summarized as follows:

Cash flow used in operating activities for FY2017 amounted to US$2.83 million as compared to cash generated from operating activities of US$6.39 million for FY2016. The cash flow used in operating activities for FY2017 was mainly due to a net working capital outflows of US$5.44 million mainly resulting from an increase in receivables of US$4.02 million and an increase in film production inventories of US$0.86 million, income tax paid of US$0.43 million, and partially offset by operating profit before working capital changes of US$2.89 million.

Cash flow used in investing activities for FY2017 was US$4.50 million as compared to cash flow generated from investing activities of US$1.73 million for FY2016. The cash flow used in investing activities for FY2017 was mainly due to short-term loans granted of US$2.79 million, purchases of property, plant and equipment of US$0.76 million, cash used for acquisition of associated company and subsidiaries of US$0.54 million, cash used for acquisition of investment in project of US$3.25 million, investment in securities of US$0.50 million, purchase of long term investments of US$0.44 million, partially offset by collection of short term loans of US$1.60 million, proceeds from disposal of short term investments of US$0.16 million and proceeds from disposal of investment in project of US$0.92 million.

Cash flow generated from financing activities was US$7.11 million for FY2017 as compared to cash flow used in financing activities of US$8.04 million for FY2016. The cash generated from financing activities in FY2017 was mainly due to issuance of shares of US$4.24 million, proceeds from film obligations and production loans of US$2.30 million which was primarily for the production of *GOLDEN SLUMBER* and proceeds from borrowings of US$1.24 million which was mainly for advance receipt from 3rd parties for movie expenses and ancillary copyrights sales from Zip Cinema.

KEY MILESTONES

2014

JULY
- Listed on the SGX Catalist Board

NOVEMBER
- Acquired 60.2% of noon pictures

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

2015

JANUARY
- Acquired 51% of Novus Mediacorp
- Acquired 51.4% of UAA Korea after the conversion of convertible notes of UAA Korea

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

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

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

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

AUGUST
- SMGPL[1] engaged KGI Capital Asia Limited for a Proposed Listing on the Hong Kong Stock Exchange[2]
- SMGPL[1] acquired additional 10.1% stake in Delmedia

SEPTEMBER
- SMGPL[1] acquired 51.0% of Breakfastfilm

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

DECEMBER
- *THE PRIESTS* sold to overseas markets namely, U.S., Canada, Japan, Taiwan, the Philippines, China, and Singapore
- Proposed Share Swap of SMGPL[1]

2016

APRIL
- Proposed disposal of loss making subsidiary, Opus Pictures, and UAA Korea
- *MASTER* commenced filming

MAY
- Completed Share Swap of Group's 45.8% interest in SMGPL for 27.2% in SMGL[2]

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

JULY
- SMGL[3] entered into a sale and purchase agreement to acquire 100% shareholding interest in a renowned korean talent management agency ("**SPA**")
- SMGL[3] disposed 99.0% stake in Delmedia & 51.0% stake in Breakfastfilm, as part of the SPA
- Alibaba Pictures purchased distribution rights for *LIFE RISKING ROMANCE* in China

AUGUST
- EGM & Completion of disposal of loss making subsidiary, Opus Pictures, and UAA Korea

DECEMBER
- SMGL[3] completed the SPA for purchase consideration of cash, newly issued shares of SMGL and SMGL's entire 51.0% interest in Breakfastfilm
- *LIFE RISKING ROMANCE* released in Korea on 14 Dec 2016
- *MASTER* released in Korea on 21 Dec 2016
- *MASTER* presold to more than 30 countries including the United States, Canada, Australia, New Zealand, Italy, Taiwan, Hong Kong, Singapore, Thailand and Philippines
- *MASTER* #1 at Korean Box Office with highest December Opening in history[4]
- *MASTER* surpassed Breakeven Point of 3.7 Million Tickets in 8 days[4]

Corporate Development Film News

Notes:
[1] The Company had on 13 May 2016 completed the share swap of the Company's 45.8% interest in SMGPL in consideration for 27.2% interest in Spackman Media Group Limited ("**SMGL**")
[2] Proposed listing is not definitive at this juncture and there is no assurance that the proposed listing will materialize
[3] As of 31 March 2018, the Company owns a shareholding interest of 33.8% in SMGL
[4] Source: Korean Film Council (KOFIC): www.koreanfilm.or.kr

2017

JANUARY

- *MASTER* released in Hong Kong on 12 Jan and Singapore on13 Jan 2017

FEBRUARY

- *GOLDEN SLUMBER*, produced by Zip Cinema, commenced filming
- *MASTER* sold over 7.1 million tickets and grossed KRW 58.0 billion in Korea

MARCH

- The Group and SMGL[3] co-invested in Skin Inc. Global, a leading Singapore-based skincare brand
- Completion of acquisition of 100% of Frame Pictures Co., Ltd ("**Frame Pictures**")
- Completion of share swap between Group and certain existing shareholders of SMGL[3]
- Completion of placement of up to 38.1 million new ordinary shares of Group

MAY

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

AUGUST

- Entered into non-binding MOU for acquisition of Take Pictures Pte. Ltd.
- Frame Pictures secured camera equipment deal for upcoming Korean film, *DECEPTIVE MURDER* for contract value of KRW 220 million

SEPTEMBER

- Zip Cinema's upcoming Korean movie with working title, *SOVEREIGN DEFAULT*, to commence filming at end of 2017 or early 2018 and targeted to open in Korean theatres in the second half of 2018
- *GOLDEN SLUMBER* secured the 2018 Chinese New Year holiday (February 2018) release date
- Group to enter into drama production business starting with the proposed co-production of Korean star So Ji Sub's next major drama series
- Frame Pictures won camera equipment deal for Netflix's first Korean original production *LOVE ALARM* with contract value of KRW 320 million subject to changes in final filming schedule
- Group acquired 10% of NSY Group Pte. Ltd., which owns Nunsongyee, a Korean dessert café chain in Singapore

OCTOBER

- *THE OUTLAWS*, co-presented by the Group's subsidiary, Novus Mediacorp, takes top spot at the Korean box office, overtaking *THE FORTRESS*
- Group completed issuance of 54.1 million shares for acquisition of Take Pictures and share swap agreement with certain existing shareholders of SMGL.
- Group acquired 100% of Take Pictures, which wholly owns Studio Take, a Korean film production company
- Group's new movie, with working title *DAMAGED* & produced by Studio Take, member commenced filming

NOVEMBER

- Group provided seed funding for The Makers Studio, a startup Korean film production company
- Group invested into Korean film, *BE WITH YOU*, starring top-tier actors Son Ye-Jin and So Ji Sub
- Group's subsidiary, Novus Mediacorp, posted unexpected record opening ancillary sales of *THE OUTLAWS*

DECEMBER

- Zip Cinema's upcoming Korean movie with working title, *SOVEREIGN DEFAULT*, stars top tier Korean actors Yoo Ah-in and Kim Hye-soo

2018

JANUARY

- Leading top-tier Korean actress, Son Ye-jin of SMGL, set to star in K-drama, *PRETTY SISTER WHO BUYS ME FOOD*
- Group completed acquisition of 100% of Constellation Agency Pte. Ltd., which is primarily involved in the business of overseas agency for Korean artists venturing into the overseas market
- Completion of share swap between Group and certain existing shareholders of SMGL[3]

FEBRUARY

- *THE OUTLAWS*, co-presented by the Group's subsidiary, Novus Mediacorp, breaks all-time highest VOD sales records in Korea
- Group announced plans to fund artist and content projects via cryptocurrency
- Park Hyung-Sik of UAA & Co, managed by SMGL, to star in Korean remake of popular US drama, *SUITS*
- *BE WITH YOU*, starring top-tier actors Son Ye-jin and So Ji Sub of SMGL, set to release on White Day, 14 March 2018
- *GOLDEN SLUMBER*, released in Korea on 14 February 2018 and released in Singapore on 8 March 2018
- *GOLDEN SLUMBER* sold internationally across Asia, Australia, New Zealand and the U.S.
- Group swung to profitability for FY2017

MARCH

- *BE WITH YOU*, headlined by Son Ye-jin and So Ji Sub of SMGL, opens #1 at the Korean box office and sold to 17 countries
- *BE WITH YOU*, broke all-time first week box office historical record for romance film
- *BE WITH YOU* crossed 2 million mark at the Korean box office

ABOUT ZIP CINEMA

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

Since its establishment, Zip Cinema has achieved notable critical and box office success, producing and releasing a total of 12 theatrical films to date, including *MASTER* (2016), which sold over 7.0 million tickets and grossed KRW 58.0 billion in Korea, *THE PRIESTS* (2015), which recorded 5.4 million tickets and grossed KRW 42.4 billion in Korea, *WOOCHI* (2009), which sold 6.1 million tickets at the Korean box office and grossed over KRW 44 billion, and *HAUNTERS* (2010) which sold 2.1 million tickets and grossed KRW 15.4 billion in Korea.

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

On 3 September 2014, Zip Cinema's *MY BRILLIANT LIFE*, starring Song Hye-kyo and Gang Dong-won, opened in Korean theaters. The film has been theatrically released throughout Asia.

On 5 November 2015, Zip Cinema's *THE PRIESTS*, starring Kim Yun-seok and Gang Dong-won, opened #1 at the Korean box office and has since set the achieved a record-breaking performance for being the fastest movie to reach one, three, and four million tickets at the Korean box office in the month of November.

On 21 December 2016, Zip Cinema's *MASTER*, starring Lee Byung-hun, Kim Woo-bin and Gang Dong-won, opened #1 at the Korean box office with the highest December opening in history. *MASTER* recorded total gross box office receipts of KRW 58.0 billion (or USD51.0 million) and ticket admissions of 7.1 million in Korea.

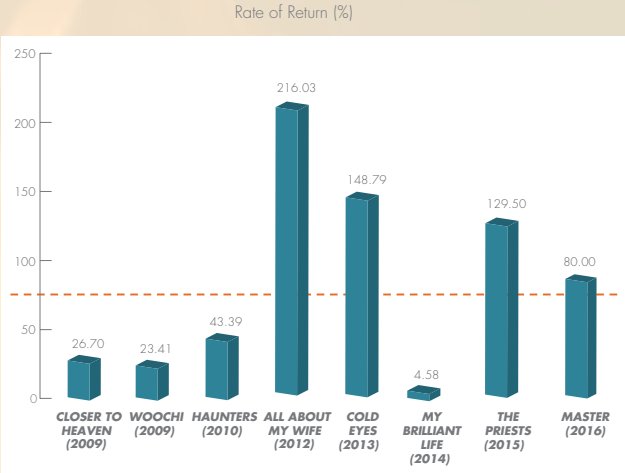
On 14 February 2018, Zip Cinema's *GOLDEN SLUMBER*, headlined by Gang Dong-won and Han Hyo-joo, was released in Korea. The film is sold internationally across Asia, Australia, New Zealand and the U.S.

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

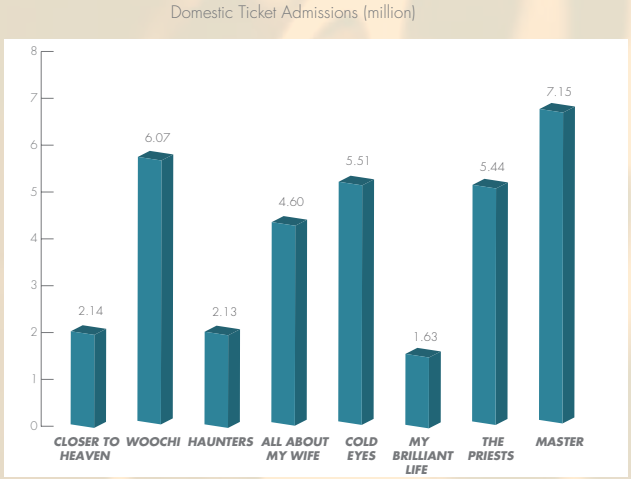


TRACK RECORD OF ZIP CINEMA

AVERAGE RATE OF RETURN OF ZIP CINEMA: 84%



TOTAL DOMESTIC TICKET ADMISSIONS: 35 MILLION



Notes:

• *Figures computed based on Company Data and Korean Film Council (KOFIC): www.koreanfilm.or.kr.*



PORTFOLIO OF ZIP CINEMA

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



GOLDEN SLUMBER
14 FEBRUARY 2018



MASTER
21 DECEMBER 2016



THE PRIESTS
5 NOVEMBER 2015



MY BRILLIANT LIFE
3 SEPTEMBER 2014



COLD EYES
3 JULY 2013



ALL ABOUT MY WIFE
17 MAY 2012



HAUNTERS
10 NOVEMBER 2010



WOOCHI
23 DECEMBER 2009



CLOSER TO HEAVEN
24 SEPTEMBER 2009

ABOUT NOVUS MEDIACORP

Novus Mediacorp Co., Ltd. ("**Novus Mediacorp**"), a 51% subsidiary of SEGL, is a renowned investor, presenter, and ancillary distributor for Korean theatrical films. Since 2009, Novus Mediacorp was the investor, presenter, and/or ancillary distributor for a total of 76 films (53 Korean and 23 foreign) including *SECRETLY, GREATLY*, which was one of the biggest box office hits of 2013 starring Kim Soo-hyun of *MY LOVE FROM THE STARS* fame, as well *FRIEND 2: THE GREAT LEGACY*. In 2012, Novus was also the ancillary distributor of *ALL ABOUT MY WIFE*, a top-grossing romantic comedy produced by Zip Cinema.

In 2018, *THE OUTLAWS*, starring Ma Dong-seok of *TRAIN TO BUSAN*, co-presented by Novus Mediacorp broke the all-time highest VOD sales records in Korea. Novus Mediacorp owns the distribution rights of *THE OUTLAWS* for the ancillary market in Korea.

LIFE RISKING ROMANCE, a romance thriller starring Ha Ji-won, Chun Jung-myung and Chen Bolin, presented and co-produced by Novus Mediacorp, was released in Korea on 14 December 2016.

On 25 July 2016, Alibaba Pictures purchased the rights to distribute *LIFE RISKING ROMANCE* in movie theatres and online platforms in China.

For more information on Novus Mediacorp, do visit http://novusmediacorp.com



PORTFOLIO OF NOVUS MEDIACORP

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



THE OUTLAWS
2017



LIFE RISKING ROMANCE
2016



INNOCENT THING
2014



FRIEND: THE GREAT LEGACY
2013



HOPE
2013



VERY ORDINARY COUPLE
2013



SECRETLY GREATLY
2013



ALL ABOUT MY WIFE
2012



THE SCENT
2012



WAR OF THE ARROWS
2011



ALWAYS
2011



BLADES OF BLOOD
2010

SECTOR OUTLOOK: KOREAN MOTION PICTURE INDUSTRY

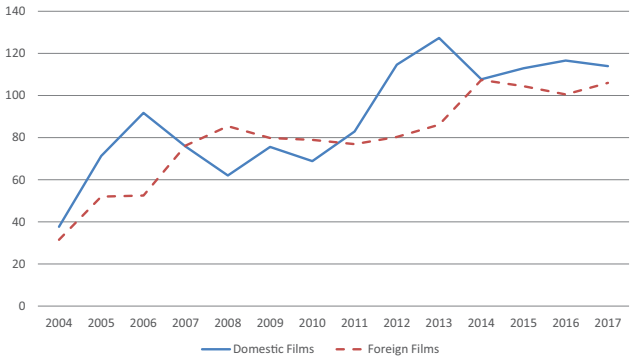
THE KOREAN MOTION PICTURE INDUSTRY
OVERVIEW

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total Ticket Admissions Nationwide (million)	69.3	123.4	144.3	152.0	147.4	155.4	147.8	159.7	194.9	213.3	215.1	217.3	217.0	219.9
YOY Growth Rate (%)		78.1	16.9	5.3	-3.0	5.4	-4.9	8.1	22.0	9.4	0.8	1.0	-0.1	1.3
Admissions for Domestic Films (million)	37.7	71.3	91.7	75.8	62	75.6	68.8	82.9	114.6	127.3	107.7	112.9	116.6	113.9
Admissions for Foreign Films (million)	31.5	52	52.5	76.2	85.4	79.8	78.9	76.9	80.3	86.1	107.4	104.4	100.5	106
Market Share of Domestic Film (%)	54.5	57.8	63.6	49.9	42.1	48.7	46.6	51.9	58.8	59.7	50.1	52.0	53.7	51.8
Market Share of Foreign Film (%)	45.5	42.2	36.4	50.1	57.9	51.3	53.4	48.1	41.2	40.3	49.9	48.0	46.3	48.2
Admissions per Capita	2.78	2.98	3.13	3.22	3.04	3.15	2.92	3.15	3.83	4.17	4.19	4.22	4.30	4.31
Domestic Films	1.52	1.72	1.99	1.61	1.28	1.53	1.36	1.63	2.25	2.49	2.10	2.19	2.31	2.23
Foreign Films	1.26	1.26	1.14	1.61	1.76	1.62	1.56	1.52	1.58	1.68	2.09	2.03	1.99	2.08
Gross Box Office Revenue (KRW billion)	440.7	780.3	892.4	965.5	961.5	1,083.2	1,157.3	1,235.8	1,455.1	1,551.4	1,664.2	1,715.5	1,743.2	1,756.6
YOY Growth Rate (%)		77.1	14.4	8.2	-0.4	12.7	6.8	6.8	17.7	6.6	7.3	3.1	1.6	0.8
Korean Box Office Revenue (KRW billion)	239.1	451.7	568.1	479.9	407.3	526.5	508.4	613.7	836.1	909.9	820.6	879.7	928.0	902.7
YOY Growth Rate (%)		88.9	25.8	-15.5	-15.1	29.3	-3.4	20.7	36.2	8.8	-9.8	7.2	5.5	-2.7
Foreign Box Office Revenue (KRW billion)	201.6	328.7	324.4	485.6	554.1	556.7	648.8	622.1	619	641.4	843.6	835.8	815.2	853.9
YOY Growth Rate (%)		63.0	-1.3	49.7	14.1	0.5	16.5	-4.1	-0.5	3.6	31.5	-0.9	-2.5	4.8
Average Ticket Price (KRW)	6,363.89	6,326.32	6,186.52	6,350.93	6,521.48	6,970.43	7,832.03	7,737.07	7,466.45	7,271.36	7,738.13	7,894.64	8,032.20	9,699.50
Number of Screens (nationwide)	1,451	1,648	1,880	1,975	2,004	2,055	2,003	1,974	2,081	2,184	2,281	2,571	2,642	2,859
Number of Theatres (nationwide)	302	301	321	314	309	305	301	292	314	333	356	433	451	495
Number of Seats (nationwide)	297,584	322,110	354,691	365,034	362,657	360,796	349,640	341,905	358,659	349,669	372,361	413,704	431,822	454,767

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

DOMESTIC VS. FOREIGN FILMS AT THE KOREAN BOX OFFICE

Ticket Admissions in Millions



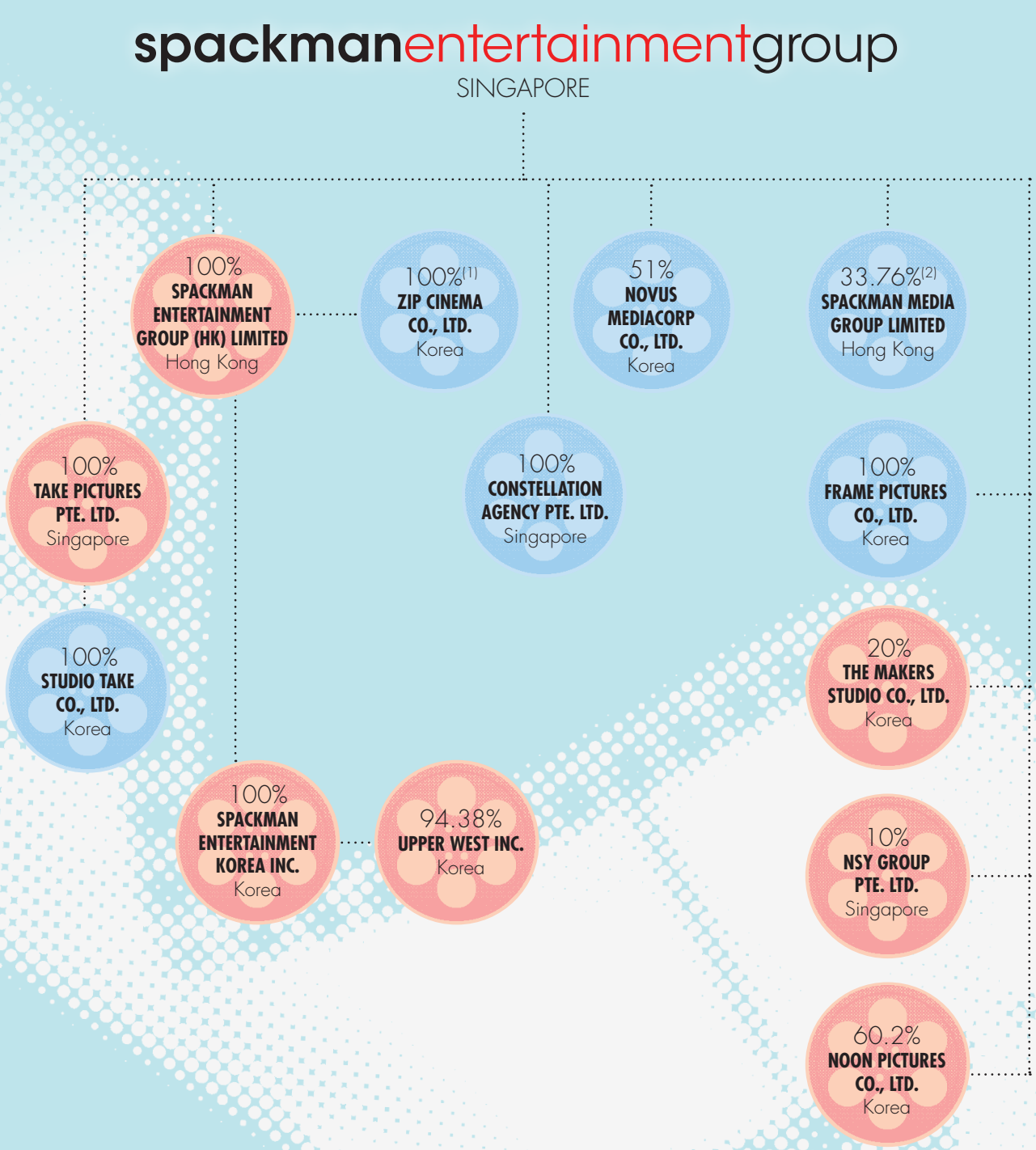
Record High Cinema Attendance for 2017 South Korean Film Sector

The South Korean film sector attained record high cinema attendance of nearly 220 million in 2017. According to statistics from the Korean Film Council, the total number of movie-goers in South Korea in 2017 increased 3 million as compared to last year. Korean films comprise 53% of the South Korean film sector, continuing their streak of holding on to a majority market share for 7 consecutive years.

The average South Korean watches four films of which two are foreign films and the other two being local films in cinemas. In 2017, the top 50 movies of the South Korean film market reported a US$1.2 billion in gross box office revenue and 169 million in total admissions. These figures are at similar levels as compared to last year.

Source: Yonhap News, http://english.yonhapnews.co.kr/news/2018/01/01/0200000000AEN20180101005400315.html, January 2018
Source: Korean Film Council; Ministry of Culture, Sports and Tourism, Republic of Korea as of January 2018

GROUP STRUCTURE



Notes:

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

(2) Spackman Entertainment Group Limited ("**SEGL**") completed the share swap of its 45.8% interest in Spackman Media Pte. Ltd. ("**SMG**") for 27.4% interest in Spackman Media Group Limited ("**SMGL**") on 13 May 2016. The Company currently holds an effective shareholding interest of 33.76% in SMGL.

BOARD OF DIRECTORS

ANTHONY WONG
Non-Executive & Independent Chairman

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

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

RICHARD LEE
Interim Chief Executive Officer and Executive Director

Mr. Lee is the Interim Chief Executive Officer and an Executive Director of Spackman Entertainment Group Limited. He is responsible for managing and overseeing the overall business and investment activities of the Group. He is also Chairman and Chief Executive Officer of Spackman Equities Group Inc., Executive Director of Spackman Media Group Limited, and also serves on the boards of a number of the Group's portfolio companies. He was the Head of Business Development of our Group from October 2013 to September 2016. He previously worked at HSBC Private Equity, BNP Paribas Securities and CLSA Securities. Mr. Lee graduated with an A.B. in East Asian Studies from Harvard College.

YOO JIN LEE
Executive Director and Chief Producer

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

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

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

BOARD OF DIRECTORS

SUK YOUNG JUNG
Executive Director

Mr. Suk Young Jung is an Executive Director of Spackman Entertainment Group Limited. He is also the Founder and Chief Executive Officer of Novus Mediacorp, a majority-owned subsidiary of the Group, which is a renowned investor, presenter and ancillary distributor for Korean theatrical films.

His select filmography includes four of the top 20 movies of 2013, including *SECRETLY GREATLY* (2013), *FRIEND: THE GREAT LEGACY* (2013), *HOPE* (2013), *VERY ORDINARY COUPLE* (2013). In 2018, *THE OUTLAWS*, co-presented by Novus Mediacorp broke the all-time highest Video On Demand ("VOD") sales records in Korea.

Previously, he was the co-founder and Executive Director of Vantage Holdings, a leading Korean film investment company that presented *THE CHASER*, the number two box office hit in Korea in 2008. Mr. Jung graduated with a B.A. from Pennsylvania State University, majoring in Economics in the United States.

KAY NA
Chief Financial Officer and Executive Director

Mr. Kay Na was appointed as the Chief Financial Officer of Spackman Entertainment Group Limited in September 2013. He also serves on the Nominating Committee. 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.

JESSIE HO
Lead Independent Director

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

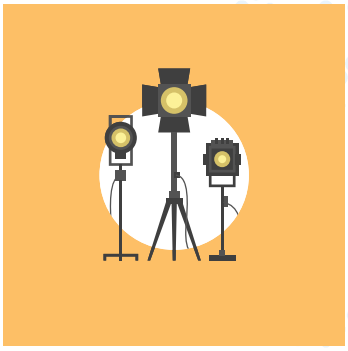
Mrs. Ho read law at the University of Cambridge where she obtained a BA Hons and her LL.M. She was admitted to the Singapore Bar in 1991 and has been in active practice ever since, primarily advising on conveyancing and litigation matters. Mrs. Ho is a member of the Law Society of Singapore and was an active Council Member of the National Family Council of Singapore from 1 August 2010 up until July 2013. She is also currently on the board of directors of Halogen Foundation, a non-profit organisation.

NG HONG WHEE
Independent Director

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

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

KEY MANAGEMENT



RICHARD LEE
Interim Chief Executive Officer and Executive Director

Profile as disclosed under Board of Directors

EUGENE LEE
Executive Director and Chief Producer

Profile as disclosed under Board of Directors

SUK YOUNG JUNG
Executive Director

Profile as disclosed under Board of Directors

KAY NA
Chief Financial Officer and Executive Director

Profile as disclosed under Board of Directors

JASMINE LEONG
Head of Investor Relations

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

CORPORATE INFORMATION

BOARD OF DIRECTORS
Anthony Wong (Non-executive & Independent Chairman)
Richard Lee (Interim CEO and Executive Director)
Eugene Lee (Executive Director and Chief Producer)
Suk Young Jung (Executive Director)
Kay Na (Chief Financial Officer and Executive Director)
Jessie Ho (Lead Independent Director)
Ng Hong Whee (Independent Director)

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

NOMINATING COMMITTEE
Jessie Ho (Chairman)
Anthony Wong
Kay Na

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

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

REGISTERED OFFICE
16 Collyer Quay
#17-00
Singapore 049318

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

Unless otherwise stated, this report outlines the Group's corporate governance practices that were in place during the financial year ended 31 December 2017 ("**FY2017**"), with specific reference made to the principles of the Code of Corporate Governance 2012 (the "**Code**") and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in January 2015 (the "**Guide**").

Guideline	**Code and/or Guide Description**	**Company's Compliance or Explanation**
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	The Company has complied with the principles and guidelines as set out in the Code and the Guide, where applicable. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and/or the Guide.
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines of the Code?	Not applicable. The Company did not adopt any alternative corporate governance practices in FY2017.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td colspan="3">BOARD MATTERS</td></tr>
<tr><td colspan="3"><u>The Board's Conduct of Affairs</u></td></tr>
<tr><td>1.1</td><td>What is the role of the Board?</td><td>The Board has 7 members and comprises the following:
<table>
<tr><th colspan="2">Composition of the Board</th><th colspan="3">Composition of the Board Committees
• C – Chairman
• M – Member</th></tr>
<tr><th>Name of Director</th><th>Designation</th><th>ARMC[1]</th><th>NC[2]</th><th>RC[3]</th></tr>
<tr><td>Anthony Wei Kit Wong ("Anthony Wong")</td><td>Non-executive Chairman and Independent Director</td><td>C</td><td>M</td><td>M</td></tr>
<tr><td>Richard Lee[4]</td><td>Executive Director and interim Chief Executive Officer ("CEO")</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td>Yoo Jin Lee ("Eugene Lee")</td><td>Executive Director and Chief Producer</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td>Jung Suk Young</td><td>Executive Director</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td>Na Kyoungwon[5]</td><td>Executive Director and Chief Financial Officer ("CFO")</td><td>–</td><td>M</td><td>–</td></tr>
<tr><td>Thong Yuen Siew Jessie ("Jessie Ho")</td><td>Lead Independent Director</td><td>M</td><td>C</td><td>M</td></tr>
<tr><td>Ng Hong Whee</td><td>Independent Director</td><td>M</td><td>–</td><td>C</td></tr>
</table>
Notes:
(1) The ARMC comprises 3 members, all of whom, including the Chairman, are independent and non-executive Directors.
(2) The NC comprises 3 members, the majority of whom, including the Chairman, are independent. The Lead Independent Director is the Chairman of the NC.
(3) The RC comprises 3 members, all of whom, including the Chairman, are independent and non-executive Directors.
(4) Mr Richard Lee was appointed as the Executive Director and Interim CEO of the Company, with effect from 18 January 2018.
(5) Mr Na Kyoungwon was appointed as the Executive Director of the Company and a member of the Nominating Committee with effect from 18 January 2018. He will continue to assume the role of Chief Financial Officer of the Company.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>1.4</td><td>Have the Board and Board Committees met in the last financial year?</td><td>The Board meets on a quarterly basis, and as and when circumstances require. The number of Board and Board Committees meetings held and the attendance of each Board member for FY2017 are shown below:
<table>
<tr><th colspan="5">Table 1.4 – Board and Board Committee Meetings in FY2017</th></tr>
<tr><th></th><th>Board</th><th>ARMC</th><th>NC</th><th>RC</th></tr>
<tr><td>Number of Meetings Held</td><td>4</td><td>4</td><td>1</td><td>1</td></tr>
<tr><th>Name of Director</th><th colspan="4">Number of Meetings Attended</th></tr>
<tr><td>Charles Spackman[1]</td><td>4/4</td><td>NA</td><td>1/1</td><td>NA</td></tr>
<tr><td>Yoo Jin Lee</td><td>4/4</td><td>NA</td><td>NA</td><td>NA</td></tr>
<tr><td>Jung Suk Young</td><td>4/4</td><td>NA</td><td>NA</td><td>NA</td></tr>
<tr><td>Jessie Ho</td><td>4/4</td><td>4/4</td><td>1/1</td><td>1/1</td></tr>
<tr><td>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>4/4</td><td>4/4</td><td>NA</td><td>1/1</td></tr>
</table>
NA – Not applicable, as the Directors are non-members of the Board Committees.

Note:
(1) Mr. Charles Spackman resigned as Executive Chairman and CEO of the company with effect from 19 December 2017.

The Company's Constitution allows for meetings to be held through telephone and/or video-conference.</td></tr>
<tr><td>1.5</td><td>What are the types of material transactions which require approval from the Board?</td><td>Matters that require the Board's approval include, amongst others, the following:

• corporate strategy and business plans of the Group;

• material acquisitions, divestments and capital expenditure of the Group;

• share issuance, dividend release or changes in capital of the Company;

• budgets, financial results announcements, annual report and audited financial statements of the Group;

• material financing and restructuring plans of the Group; and

• material interested person transactions of the Group.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
1.6	(a) Are new Directors given formal training? If not, please explain why.	All newly appointed Directors of the Company will undergo an orientation programme where the Director would be briefed on the Group's strategic direction, governance practices, business and organisation structure as well as the expected duties of a director of a listed company. To get a better understanding of the Group's business, the Director will also be given the opportunity to visit the Group's operational facilities and meet with key management personnel of the Group.
	(b) What are the types of information and training provided to (i) new Directors and (ii) existing Directors to keep them up-to-date?	The Board values on-going professional development and recognises that it is important that all Directors receive regular training so as to be able to serve effectively on and contribute to the Board. To ensure Directors can fulfil their obligations and to continually improve the performance of the Board, all Directors are encouraged to undergo continual professional development during the term of their appointment. Professional development may relate to a particular subject area, committee membership, or key developments in the Company's environment, market or operations which may be provided by accredited training providers such as the Singapore Institute of Directors. Directors are encouraged to consult the Chairman and CEO if they consider that they personally, or the Board as a whole, would benefit from specific education or training regarding matters that fall within the responsibility of the Board or relate to the Company's business. Such trainings costs are borne by the Company. Briefings, updates and trainings for the Directors in FY2017 include: • Briefing by the external auditors ("**EA**") to the ARMC on changes/amendments to accounting standards; • Briefing by DMS Corporate Services Pte. Ltd., the corporate secretarial agent to the Board on the changes to Listing Manual (Section B: Rules of Catalist) of SGX-ST and Companies (Amendment) Act 2017; and • Attendance of several seminars conducted by Hong Kong Institute of Directors, Hong Kong Stock Exchange, BMI Funds Management Limited and Crowe Horwath LLP. The seminars include Practical Approach to Handle Stock Exchange Queries and Investigation, ESG Reporting and Carbon Disclosure, Board of Directors Handling of ESG Reporting, Risk Management – Cyber Security, How Investors Use ESG Reports, The Center of Audit Quality Publications, Attending Social Environmental Governance Presentation.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Board Composition and Guidance		
2.1 2.2 3.3	Does the Company comply with the guideline on the proportion of Independent Directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	There is a strong and independent element on the Board, with independent directors making up at least one-third of the Board.
2.3 4.3	Has the independence of the Independent Directors been reviewed in the last financial year?	The Board takes into account the existence of relationships or circumstances, including those identified by the Code, that are relevant in its determination as to whether a Director is independent. In addition, the NC reviews the individual directors' declaration in their assessment of independence. The Independent Directors confirmed their independence in accordance with the Code. The NC has also reviewed and confirmed the independence of the Independent Directors in accordance with the Code during the NC and Board meetings held in February 2018.
	(a) Is there any Director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the Director and specify the nature of such relationship.	There are no Directors who is deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.
	(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	Not applicable.
2.4	Has any Independent Director served on the Board for more than nine years since the date of his first appointment? If so, please identify the Director and set out the Board's reasons for considering him independent.	There are no Directors who has served beyond nine years since the date of his/her first appointment.

CORPORATE GOVERNANCE REPORT

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

To meet the changing challenges in the industry and country which the Group operates in, such reviews, which includes considering factors such as the expertise, skills and perspectives which the Board needs against the existing competencies would be done on an annual basis to ensure that the Board dynamics remain optimal.</td></tr>
<tr><td rowspan="2">2.6</td><td>(a) What is the Board's policy with regard to diversity in identifying director nominees?</td><td>The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group and it also takes cognizance on gender diversity.</td></tr>
<tr><td>(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.</td><td>The current Board composition provides a diversity of skills, experience, gender and knowledge to the Company as follows:

<table>
<tr><th colspan="3">Table 2.6 – Balance and Diversity of the Board</th></tr>
<tr><th></th><th>Number of Directors</th><th>Proportion of Board</th></tr>
<tr><td>Core Competencies</td><td></td><td></td></tr>
<tr><td>– Accounting or finance</td><td>4</td><td>57%</td></tr>
<tr><td>– Business management</td><td>7</td><td>100%</td></tr>
<tr><td>– Legal or corporate governance</td><td>2</td><td>29%</td></tr>
<tr><td>– Relevant industry knowledge or experience</td><td>4</td><td>57%</td></tr>
<tr><td>– Strategic planning experience</td><td>7</td><td>100%</td></tr>
<tr><td>– Customer based experience or knowledge</td><td>2</td><td>29%</td></tr>
<tr><td>Gender</td><td></td><td></td></tr>
<tr><td>– Male</td><td>5</td><td>71%</td></tr>
<tr><td>– Female</td><td>2</td><td>29%</td></tr>
</table>
</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(c) What steps have the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?	The Board has taken the following steps to maintain or enhance its balance and diversity: • Annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and • Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board. The NC will consider the results of these exercises in its recommendation for the appointment of new directors and/or the re-appointment of incumbent directors.
2.8	Have the Non-Executive Directors met in the absence of key management personnel in the last financial year?	The Non-Executive Directors are scheduled to meet regularly, and as warranted, in the absence of key management personnel to discuss concerns or matters such as the effectiveness of Management. The Non-Executive Directors have met once in the absence of key management personnel in February 2018.
Chairman and Chief Executive Officer		
3.1	Are the duties between Chairman and CEO segregated?	Mr. Anthony Wong has been re-designated from Independent Director to Non-Executive and Independent Chairman of the Company with effect from 18 January 2018. Mr. Richard Lee was appointed as Interim CEO and Executive Director of the Company with effect from 18 January 2018. The roles of Chairman and CEO are handled by two separate persons and the duties are segregated.
3.4	Have the Independent Directors met in the absence of the other directors?	Led by the Lead Independent Director, the Independent Directors will meet in the absence of the other directors as and when circumstances warrant. The Independent Directors have met once in the absence of the other Directors in FY2017.

CORPORATE GOVERNANCE REPORT

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

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?	The Board has set the maximum number of listed company board representations as 6. Having assessed the capacity of the Directors based on factors disclosed in Section 4.4(c) below, the Board is of the view that this number would allow Directors to have increased exposure to different Boards and broaden their experience and knowledge in relation to Board matters, hence ultimately benefitting the Company.
	(b) If a maximum has not been determined, what are the reasons?	Not applicable.
	(c) What are the specific considerations in deciding on the capacity of directors?	The considerations in assessing the capacity of Directors include the following: • Expected and/or competing time commitments of Directors, including whether such commitment is a full-time or part-time employment capacity; • Geographical location of Directors; • Size and composition of the Board; • Nature and scope of the Group's operations and size; and • Capacity, complexity and expectations of the other listed directorships and principle commitments held.
	(d) Have the Directors adequately discharged their duties?	The NC has reviewed the time spent and attention given by each of the Directors to the Company's and the Group's affairs, taking into account the multiple directorships and other principal commitments of each of the Directors (if any), and is satisfied that all Directors have discharged their duties adequately for FY2017.
4.5	Are there alternate Directors?	The Company does not have any alternate directors to the existing Directors of the Company. Alternate directors will be appointed as and when the Board deems necessary. Circumstances which warrant such appointments may include health, age related concerns as well as Management succession plans.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or
Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>4.6</td><td>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.</td><td>
<table>
<tr><th colspan="3">Table 4.6(a) – Process for the Selection and Appointment of New Directors</th></tr>
<tr><td>1.</td><td>Determination of selection criteria</td><td>• 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.</td></tr>
<tr><td>2.</td><td>Search for suitable candidates</td><td>• The NC would consider candidates proposed by the Directors, key management personnel or substantial shareholders, and may engage external search consultants where necessary.</td></tr>
<tr><td>3.</td><td>Assessment of shortlisted candidates</td><td>• The NC would meet and interview the shortlisted candidates to assess their suitability.</td></tr>
<tr><td>4.</td><td>Appointment of director</td><td>• The NC would recommend the selected candidate to the Board for consideration and approval.</td></tr>
</table>
<table>
<tr><th colspan="3">Table 4.6(b) – Process for the Re-election of Incumbent Directors</th></tr>
<tr><td>1.</td><td>Assessment of director</td><td>• The NC would assess the performance of the director in accordance with the performance criteria set by the Board; and
• The NC would also consider the current needs of the Board.</td></tr>
<tr><td>2.</td><td>Re-appointment of director</td><td>• Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-election of the director to the Board for its consideration and approval.</td></tr>
</table>
</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>4.7</td><td>Please provide Directors' key information.</td><td>The key information of the Directors, including their appointment dates and directorships in other listed companies held in the past 3 years, are set out on pages 23 to 24 of this annual report. Additional details are also shown below.

Table 4.7 – Directorship Additional Details
<table><tr><th>Name</th><th>Initial Appointment Date</th><th>Date of last re-election</th><th>Directorships held in the past 3 years</th></tr><tr><td>Anthony Wong</td><td>20 June 2014</td><td>21 April 2015</td><td>China Public Procurement Limited</td></tr><tr><td>Richard Lee</td><td>18 January 2018</td><td>Not applicable</td><td>Spackman Equities Group Inc.</td></tr><tr><td>Yoo Jin Lee</td><td>20 June 2014</td><td>28 April 2016</td><td>Nil</td></tr><tr><td>Jung Suk Young</td><td>1 September 2016</td><td>27 April 2017</td><td>Nil</td></tr><tr><td>Na Kyoungwon</td><td>18 January 2018</td><td>Not applicable</td><td>Spackman Equities Group Inc.</td></tr><tr><td>Jessie Ho</td><td>10 January 2014</td><td>28 April 2016</td><td>Nil</td></tr><tr><td>Ng Hong Whee</td><td>20 June 2014</td><td>27 April 2017</td><td>Communication Design International Limited</td></tr></table>
Mr. Anthony Wong and Ms. Eugene Lee will retire by rotation pursuant to the Constitution of the Company, and will, being eligible and having consented, be nominated for re-election as Directors at the forthcoming AGM. Upon re-election, Mr. Anthony Wong will remain as the Non-Executive and Independent Chairman of the Company, Chairman of the ARMC and a member of the NC and RC. Mr. Anthony Wong will be considered independent for the purpose of Rule 704(7) of the Catalist Rules, while Ms. Eugene Lee will remain as Executive Director of the Company.

Mr. Richard Lee and Mr. Na Kyoungwon who were appointed to the Board on 18 January 2018 will also retire at the forthcoming AGM pursuant to the Constitution of the Company, and will, being eligible and having consented, be nominated for re-election as a Director at the forthcoming AGM. Upon re-election, Mr. Richard Lee will remain as an Executive Director and Interim CEO of the Company, while Mr. Na Kyoungwon will remain as Executive Director, Chief Financial Controller and a member of NC of the Company.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or
Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td></td><td>The NC, with the respective member who is interested in the discussion having abstained from the deliberations, had recommended the above respective Directors for re-election at the forthcoming AGM.</td></tr>
<tr><td colspan="3"><u>Board Performance</u></td></tr>
<tr><td>5.1
5.2
5.3</td><td>What is the performance criteria set to evaluate the effectiveness of the Board as a whole and its board committees, and for assessing the contribution by each Director to the effectiveness of the Board?</td><td>Table 5 sets out the performance criteria, as recommended by the NC and approved by the Board, to be relied upon to evaluate the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution by each Director to the effectiveness of the Board:

Table 5
<table><tr><th>Performance Criteria</th><th>Board and Board Committees</th><th>Individual Directors</th></tr><tr><td>Qualitative</td><td>1. Size and composition
2. Access to information
3. Board processes
4. Strategic planning
5. Board accountability
6. Risk management
7. Succession planning</td><td>1. Commitment of time
2. Knowledge and abilities
3. Teamwork
4. Independence (if applicable)
5. Overall effectiveness</td></tr><tr><td>Quantitative</td><td>1. Return on equity
2. Performance of the Company's share price over a 3-year period vis-à-vis the FTSE Straits Time Index and a benchmark of the Company's industry peers</td><td>1. Attendance at Board and Board Committee meetings</td></tr></table>
The NC would review the criteria on a periodic basis to ensure that the criteria is able to provide an accurate and effective performance assessment taking into consideration industry standards and the economic climate with the objective to enhance long term shareholders value, thereafter propose amendments if any, to the Board for approval.

The NC did not propose any changes to the performance criteria for FY2017 as compared to the previous financial year as the economic climate, Board composition and the Group's principal business activities remained substantially the same since FY2016.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?	The review of the performance of the Board and the Board Committees is conducted by the NC annually. The review of the performance of each Director is also conducted at least annually and when the individual Director is due for re-election. The Company had conducted its review in February 2018 and the process was as follows: 1. All Directors individually completed a board evaluation questionnaire on the effectiveness of the Board, the Board Committees and the individual Directors based on criteria disclosed in Table 5 above; 2. One of the Company Secretaries collated and submitted the questionnaire results to the NC Chairman in the form of a report; and 3. The NC discussed the report and concluded the performance results during the NC meeting. All NC members have abstained from the voting or review process of any matters in connection with the assessment of his/her performance. No external facilitator was used in the evaluation process.
	(b) Has the Board met its performance objectives?	Yes, the Board has met its performance objectives.

CORPORATE GOVERNANCE REPORT

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

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

<table>
<tr><th colspan="3">Table 6 – Types of information provided by key management personnel to Independent Directors</th></tr>
<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(1)</td></tr>
<tr><td>5.</td><td>Reports on on-going or planned corporate actions</td><td>Quarterly, and when necessary</td></tr>
<tr><td>6.</td><td>EA report(s) and Internal auditors' ("IA") report(s)</td><td>Annually</td></tr>
<tr><td>7.</td><td>Research report(s)</td><td>Quarterly</td></tr>
</table>

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

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

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

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
REMUNERATION MATTERS		
Developing Remuneration Policies		
7.1	What is the role of the RC?	The RC is guided by key terms of reference as follows: (a) Review and recommend to the Board a general framework of remuneration and specific remuneration packages for each Director and key management personnel; (b) Review and recommend to the Board the service contracts of Executive Directors and key management personnel and ensure that such services contracts are fair and not excessively long or with onerous renewal/termination clauses; (c) Reviewing the on-going appropriateness and relevance of the executive remuneration policy and other benefit programmes; (d) Considering, reviewing and approving and/or varying (if necessary) the entire specific remuneration package and service contract terms for each member of key management (including salaries, allowances, bonuses, payments, options, benefits in kind, retirement rights, severance packages and service contracts) having regard to the executive remuneration policy for each of the companies within the Group; (e) Considering and approving termination payments, retirement payments, gratuities, ex-gratia payments, severance payments and other similar payments to each member of key management; (f) Determining, reviewing and approving the design of all option plans, stock plans and/or other equity based plans that the Group proposes to implement, to determine each year whether awards will be made under such plans, to review and approve each award as well as the total proposed awards under each plan in accordance with the rules governing each plan and to review, approve and keep under review performance hurdles and/or fulfilment of performance hurdles under such plans; (g) Reviewing the remuneration of employees who are related to the Directors and substantial shareholders of the Company to ensure that their remuneration packages are in line with the staff remuneration guideline and commensurate with their respective job scopes and level of responsibilities; and (h) To administer the Spackman Entertainment Group Limited Employee Share Option Scheme.
7.3	Were remuneration consultants engaged in the last financial year?	No remuneration consultants were engaged by the Company in FY2017.

CORPORATE GOVERNANCE REPORT

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

The Board is of the view that as the Group pays performance bonuses based on the actual performance of the Group and/or Company (and not on forward-looking results) as well as the actual performance of its Executive Directors and key management personnel, "claw-back" provisions in the service agreements may not be relevant or appropriate.</td></tr>
<tr><td colspan="3"><u>Disclosure on Remuneration</u></td></tr>
<tr><td>9</td><td>What is the Company's remuneration policy?</td><td>The Company's remuneration policy which covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, benefits-in-kind, bonuses, options, share-based incentives and awards, is one that seeks to attract, retain and motivate talent to achieve the Group's business vision and create sustainable value for its stakeholders. The policy articulates to staff the link that total compensation has to the achievement of organisational and individual performance objectives, and benchmarked against relevant and comparative compensation in the market.</td></tr>
<tr><td>9.1
9.2</td><td>Has the Company disclosed each Director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</td><td>The breakdown for the remuneration of the Directors for FY2017 is as follows:

Table 9.2 – Remuneration of Directors
<table><tr><th>Name</th><th>Remuneration band[1]</th><th>Salary (%)</th><th>Bonus (%)</th><th>Directors fee (%)</th><th>Benefits-in-kind (%)</th><th>Others (%)</th><th>Total (%)</th></tr><tr><td>Charles Spackman[2]</td><td>A</td><td>100</td><td>–</td><td>–</td><td>–</td><td></td><td>100</td></tr><tr><td>Eugene Lee</td><td>B</td><td>95</td><td>–</td><td>–</td><td>–</td><td>5</td><td>100</td></tr><tr><td>Jung Suk Young</td><td>A</td><td>92</td><td>–</td><td>–</td><td>–</td><td>8</td><td>100</td></tr><tr><td>Jessie Ho</td><td>A</td><td>–</td><td>–</td><td>100</td><td>–</td><td>–</td><td>100</td></tr><tr><td>Anthony Wong</td><td>A</td><td>–</td><td>–</td><td>100</td><td>–</td><td>–</td><td>100</td></tr><tr><td>Ng Hong Whee</td><td>A</td><td>–</td><td>–</td><td>100</td><td>–</td><td>–</td><td>100</td></tr></table>
Notes:
(1) Remuneration bands:
"A" refers to remuneration of up to S$250,000 per annum.
"B" refers to remuneration from S$250,001 to S$500,000 per annum.
(2) Mr. Charles Spackman resigned as Executive Chairman and CEO of the company with effect from 19 December 2017.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or
Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td></td><td>No Directors received any stock options for FY2017.

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

There were no termination, retirement and post-employment benefits that were granted to the Directors, CEO and the key management personnel (who are not Directors or the CEO) for FY2017.</td></tr>
<tr><td>9.3</td><td>(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or more in detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</td><td>The breakdown for the remuneration of the Group's top 2 key management personnel (who are not Directors or the CEO) for FY2017 is as follows:

Table 9.3 – Remuneration of Key Management Personnel
<table><tr><th>Name</th><th>Remuneration band[1]</th><th>Salary (%)</th><th>Bonus (%)</th><th>Others[2] (%)</th><th>Total (%)</th></tr><tr><td>Kyoungwon Na</td><td>A</td><td>100</td><td>–</td><td>–</td><td>100</td></tr><tr><td>Jasmine Leong</td><td>A</td><td>85</td><td>–</td><td>15</td><td>100</td></tr></table>
Notes:
(1) Remuneration band "A" refers to remuneration of up to S$250,000 per annum.
(2) Others refer to defined contribution benefits. Please refer to note 7 of the financial statements on page 95 of the annual report for further details.

No key management personnel received any stock options for FY2017.</td></tr>
<tr><td></td><td>(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).</td><td>The total remuneration paid to the top 2 key management personnel for FY2017 was US$190,000.</td></tr>
<tr><td>9.4</td><td>Is there any employee who is an immediate family member of a Director or the CEO, and whose remuneration exceeds S$50,000 during the last financial year? If so, please identify the employee and specify the relationship with the relevant Director or the CEO.</td><td>There was no employee of the Group who was an immediate family of a Director or the CEO whose remuneration exceeded S$50,000 in FY2017.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE REPORT

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

Since the commencement of the Scheme up to the date of this report, no options have been granted under the Scheme. Further details on the Scheme were set out in the Company's Offer Document dated 11 July 2014.</td></tr>
<tr><td>9.6</td><td>(a) Please describe how the remuneration received by Executive Directors and key management personnel has been determined by the performance criteria.</td><td>The remuneration received by the Executive Directors and key management personnel takes into consideration his or her individual performance and contribution towards the overall performance of the Group for FY2017. Their remuneration is made up of fixed and variable compensations. The fixed compensation consists of an annual base salary, fixed allowance and annual wage supplement. The variable compensation is determined based on the level of achievement of corporate and individual performance objectives.</td></tr>
<tr><td></td><td>(b) What were the performance conditions used to determine their entitlement under the short term and long term incentive schemes?</td><td>The following performance conditions were chosen for the Group to remain competitive and to motivate the Executive Directors and key management personnel to work in alignment with the goals of all stakeholders:

<table>
<tr><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>
</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(c) Were all of these performance conditions met? If not, what were the reasons?	In view that the Group reported a net profit for FY2017 and a series of positive developments throughout the year, these performance conditions were met.
ACCOUNTABILITY AND AUDIT		
Risk Management and Internal Controls		
11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.	The Board is of the view that the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective for FY2017. The bases for the Board's view are as follows: 1. Assurance has been received from the CEO and CFO; 2. An internal audit has been done by the IA and significant matters highlighted to the ARMC and key management personnel were appropriately addressed; 3. Key management personnel regularly evaluates, monitors and reports to the ARMC on material risks; and 4. Discussions were held between the ARMC and auditors in the absence of the key management personnel to review and address any potential concerns. The Company is gradually placing emphasis on sustainability and would implement appropriate policies and programmes when the opportunities arise.
	(a) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the IA that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	Yes, the Board has obtained such assurance from Mr. Richard Lee, the Interim CEO and Executive Director of the Company, and Na Kyoungwon, CFO in respect of FY2017. The Board has relied on the independent auditors' report as set out in this Annual Report as assurance that the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances. The Board has additionally relied on the IA reports in respect of our subsidiaries, namely, Zip Cinema Co., Ltd., Novus Mediacorp Co., Ltd and Frame Pictures Co., Ltd. which were issued to the Company in February 2018 as assurances that the Company's risk management and internal control systems are effective.

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE REPORT

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

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

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

(q) Reviewing the whistle blowing policy and arrangements by which the staff and external parties may, in confidence, raise concerns about improprieties in matters of financial reporting or other matters, and to ensure that those arrangements are in place for independent investigations of such matters and for appropriate follow-up.</td></tr>
<tr><td>12.5</td><td>Has the ARMC met with the auditors in the absence of key management personnel?</td><td>Yes, the ARMC has met with the IA and the EA once in the absence of key management personnel in February 2018.</td></tr>
<tr><td>12.6</td><td>Has the ARMC reviewed the independence of the EA?</td><td>There were no non-audit services provided by the EA in FY2017. The ARMC has reviewed, and is satisfied with, the independence of the EA and has recommended the re-appointment of the EA at the forthcoming AGM.</td></tr>
<tr><td></td><td>(a) Please provide a breakdown of the fees paid in total to the EA for audit and non-audit services for the financial year.</td><td>
Table 12.6(a) – Fees Paid/Payable to the EA for FY2017
<table>
<tr><th></th><th>US$</th><th>% of total</th></tr>
<tr><td>Audit fees</td><td>59,821</td><td>100</td></tr>
<tr><td>Non-audit fees</td><td>–</td><td>–</td></tr>
<tr><td>Total</td><td>59,821</td><td>100</td></tr>
</table>
</td></tr>
<tr><td></td><td>(b) If the EA have supplied a substantial volume of non-audit services to the Company, please state the bases for the ARMC's view on the independence of the EA.</td><td>There were no non-audit services rendered during FY2017.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
SHAREHOLDER RIGHTS AND RESPONSIBILITIES		
Shareholder Rights		
14.2	Are shareholders informed of the rules, including voting procedures, that govern general meetings of shareholders?	Shareholders are entitled to attend the general meetings of shareholders and are afforded the opportunity to participate effectively in and vote at general meetings of shareholders. An independent polling agent is appointed by the Company for general meetings who will explain the rules, including the voting procedures, that govern the general meetings of shareholders.
14.3	Are corporations which provide nominee or custodial services allowed to appoint more than two proxies?	The Company's Constitution allows a shareholder to appoint up to two proxies to attend and vote in the shareholder's place at the general meetings of shareholders. Pursuant to the introduction of the multiple proxies regime under the Singapore Companies (Amendment) Act 2014, indirect investors who hold the Company's shares through a nominee company or custodian bank or through a Central Provident Fund agent bank may attend and vote at general meetings.
Communication with Shareholders		
15.1	(a) Does the Company have an investor relations policy?	The Company has in place an investor relations policy to promote regular, effective and fair communication. The Company's investor relations website (http://www.spackmanentertainmentgroup.com/investor-relations2.html) is a key resource of information for the investment community. It contains comprehensive information on the Company, including annual reports, corporate filings, past financial results, announcements, press releases, research reports and related news articles. The Company regularly updates its website to keep its stakeholders up to date. The key media and investor relations contact is also shared on the Company's website.
15.2 15.3 15.4	(b) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?	The Company solicits feedback from and addresses the concerns of shareholders (including institutional and retail investors) via the following: • a dedicated internal investor relations officer whose contact details can be found on our corporate website at www.spackmanentertainmentgroup.com or the back inside cover of the annual report; • investor and analyst briefings; and • investor roadshows. The Company held several investor briefings in FY2017 to meet with its institutional and retail investors.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(c) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role	Yes, the Company has a dedicated investor relations team.
	(d) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	Apart from the SGXNET announcements and its annual report, the Company updates shareholders on its corporate developments through its corporate website at www.spackmanentertainmentgroup.com.
15.5	Does the Company have a dividend policy?	The Company does not have a fixed dividend policy. Nonetheless, key management personnel will review, *inter alia*, the Group's performance in the relevant financial period, projected capital needs and working capital requirements and make appropriate recommendations to the Board on dividend declaration.
	Is the Company is paying dividends for the financial year? If not, please explain why.	The Board has not declared or recommended any dividend for FY2017.
CONDUCT OF SHAREHOLDER MEETINGS		
16.1 16.3 16.4 16.5	How are the general meetings of shareholders conducted?	The Company's Constitution allows for abstentia voting, including but not limited to the voting by mail or electronic mail. The Company requires all Directors (including the respective chairmen of the Board Committees) to be present at all general meetings of shareholders, unless of exigencies. The EA is also required to be present to address shareholders' queries about the conduct of audit and the preparation and content of the independent auditor's report. All resolutions are put to vote by electronic poll, so as to better reflect shareholders' interest and ensure greater transparency. Votes cast for and against each resolution will be tallied and displayed live-on-screen to shareholders immediately at the meeting. The detailed results including the total number and percentage of votes cast for and against each resolution will be announced via SGXNET after the conclusion of the general meeting. All minutes of general meetings, including the questions raised by shareholders in relation to the meeting agenda and the responses from the Board and/or Management, will made available to shareholders upon their request after the general meeting.

CORPORATE GOVERNANCE REPORT

Guideline	**Code and/or Guide Description**	**Company's Compliance or Explanation**
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 FY2017 or if not then subsisting, entered into since the end of the previous financial year.
1204(10)	Confirmation of adequacy of internal controls	The Board and the ARMC are of the opinion that the internal controls are adequate to address the financial, operational, compliance and information technology risks which the Group considers relevant and material to its current business scope and environment based on the following: • internal controls established by the Company; • work performed by the IA and EA; • assurance from the acting CEO and CFO; and • review performed by the various Board Committees and key management personnel. The system of internal controls and risk management established by the Company provides reasonable, but not absolute assurance that the Company will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>1204(17)</td><td>Interested Persons Transaction ("IPT")</td><td>The Group has procedures governing all IPTs to ensure that they are properly documented and reported on a timely manner to the ARMC and that they are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

The Group has not obtained a general mandate from shareholders for interested person transactions.

The aggregate value of interested person transactions during FY2017 is as follows:

<table>
<tr><th>Name of interested person</th><th>Aggregate value of all interested person transactions for FY2017 (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S$'000</th><th>Aggregate value of all interested person transactions for FY2017 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) S$'000</th></tr>
<tr><td>Spackman Equities Group Inc.[1]</td><td>146[2]</td><td>Not applicable</td></tr>
</table>

Notes:
(1) Spackman Equities Group Inc. is a controlling shareholder of the Company with an approximate shareholding interest of 21.51% in the Company as at 28 March 2018.
(2) This relates to the monthly rental payable under the lease agreement dated 28 December 2015 between the Company's wholly-owned subsidiary, Spackman Entertainment (HK) Limited and Spackman Equities Group Inc. for usage of office starting from 16 January 2016.</td></tr>
<tr><td>1204(19)</td><td>Dealing in Securities</td><td>The Company has adopted an internal policy which prohibits the Directors and officers from dealings in the securities of the Company while in possession of price-sensitive information.

The Company, its Directors and officers are also discouraged from dealing in the Company's securities on short term considerations and are prohibited from dealing in the Company's securities during the period beginning two weeks before the announcement of the Company's quarterly financial statements and one month before the announcement of the Company's full-year financial statements respectively, and ending on the date of the announcement of the relevant results.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	**Code and/or Guide Description**	**Company's Compliance or Explanation**
1204(21)	Non-sponsor fees	There were no non-sponsor fees paid to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd in FY2017.
1204(22)	Use of IPO Proceeds	There are no outstanding proceeds raised from IPO or any offerings pursuant to Chapter 8 of the Catalist Rules.

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2017.

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 66 to 128 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 2017 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended in accordance with the provisions of the Companies Act, Chapter 50 and Financial Reporting Standards in Singapore; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

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

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

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS

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

DIRECTORS' INTEREST IN SHARES OR DEBENTURES

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

	Number of ordinary shares Shareholdings registered in the name of directors	
Name of directors	**At 1.1.2017**	**At 31.12.2017**
Eugene Lee	23,160,000	23,160,000
Suk Young Jung	3,460,209	3,460,209

The directors' interests in ordinary shares and share options of the Company as at 21 January 2018 were the same as those as at 31 December 2017.

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 201B(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 independent and internal auditors the audit plans, scope of work, their evaluation of the system of internal accounting controls, their letter to management and the management's response, and results of the audits compiled by the internal and external auditor;

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

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

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

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

DIRECTORS' STATEMENT

AUDIT COMMITTEE (CONT'D)

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

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

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

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

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

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

(l) undertake such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the 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 auditor and has nominated Baker Tilly TFW LLP for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting.

DIRECTORS' STATEMENT

INDEPENDENT AUDITOR

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

On behalf of the directors

Richard Lee
Director

Na Kyoungwon
Director

3 April 2018

INDEPENDENT AUDITOR'S REPORT

To the members of Spackman Entertainment Group Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Spackman Entertainment Group Limited (the "Company") and its subsidiaries (the "Group"), as set out on pages 66 to 128, which comprise the balance sheets of the Group and of the Company as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

1. Business combination

On 31 March 2017, the Group completed the acquisition of the entire issued and paid-up share capital of Frame Pictures Co., Ltd ("Frame") for a consideration comprising KRW900 million (equivalent to USD806,379) in cash and 497,250 issued and paid-up ordinary shares of the Group's associated company, Spackman Media Group Limited ("SMGL shares"). During the financial year ended 31 December 2017, the Group completed the purchase price allocation ("PPA") arising from the acquisition of Frame and recognised intangible assets and goodwill of USD973,000 and USD1,864,006 respectively as disclosed in Note 12 to the financial statements. The Group's disclosure of the business combination accounting applied to the acquisition of Frame is set out in Notes 2(z) and 16(c) to the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the members of Spackman Entertainment Group Limited

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

Key Audit Matters (cont'd)

1. Business combination (cont'd)

Following the transfer of the SMGL shares for the acquisition of Frame, a gain on disposal of the SMGL shares of USD2,697,253 was recognised in profit or loss as disclosed in Note 4 to the financial statements.

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

Our procedures to address the key audit matter

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

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

2. Impairment review of intangible assets

As at 31 December 2017, the Group has recognised goodwill and customer relationships with a total carrying amount of USD4,711,130 and USD868,780 respectively arising from business combinations.

Goodwill and customer relationships with carrying amounts of USD2,684,378 and USD868,780 respectively had been allocated to certain cash generating units ("CGUs") as disclosed in Note 12 to the financial statements. Management has performed impairment assessment to compute the value in use of the respective CGUs. The remaining carrying amount of goodwill is provisional, and no impairment testing has been carried out during the financial year.

Impairment assessment of goodwill and customer relationships is considered to be a key audit matter due to the significance of the assets to the Group's consolidated financial position, and the estimation involved in the assessment of the value in use of the CGUs performed by the management. The estimation relates to the future results of the CGUs and the discount rates applied to future cash flow projections as disclosed in Notes 2(z) and 12 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the members of Spackman Entertainment Group Limited

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

Key Audit Matters (cont'd)

2. Impairment review of intangible assets (cont'd)

Our procedures to address the key audit matter

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

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

3. Impairment review of investments in subsidiaries and associated companies

As at 31 December 2017, management has assessed for impairment indicators for the investments in subsidiaries with carrying amount of $23,007,691 on the Company's balance sheet and associated companies with carrying amount of USD9,302,476 on the Group's balance sheet as disclosed in Notes 16 and 17 to the financial statements. Where there are indicators that the carrying amounts may not be recoverable, management has performed impairment assessments to compute the value in use. The value in use calculations involve management's assessment of future cash flow projections of the business, and the appropriate terminal growth rates and discount rates applied to the future cash flow projections.

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

Our procedures to address the key audit matter

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

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

INDEPENDENT AUDITOR'S REPORT

To the members of Spackman Entertainment Group Limited

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

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

INDEPENDENT AUDITOR'S REPORT

To the members of Spackman Entertainment Group Limited

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on Other Legal and Regulatory Requirements

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

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

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

3 April 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Note	2017 USD	2016 USD
Continuing operations			
Revenue	3	20,552,141	15,135,061
Cost of sales		(12,277,165)	(19,137,214)
Gross profit/(loss)		8,274,976	(4,002,153)
Other income and gains	4	3,284,082	8,413,257
Expenses			
Selling expenses		(544,670)	(404,643)
General and administrative expenses		(6,037,611)	(5,362,699)
Finance costs	5	(100,442)	(121,306)
Other expenses		(1,191,685)	(834,054)
Share of results of associated companies	17	26,821	(71,282)
Profit/(loss) before tax	6	3,711,471	(2,382,880)
Tax (expense)/credit	8	(698,912)	129,614
Profit/(loss) from continuing operations		3,012,559	(2,253,266)
Loss from discontinued operation, net of tax	9	–	(371,002)
Profit/(loss) for the year		3,012,559	(2,624,268)
Other comprehensive income/(loss)			
Items that are or may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		941,481	(243,875)
Currency translation differences reclassified to profit or loss on:			
– Disposal of subsidiaries		–	123,292
– Disposal of associated company		272	126,028
Share of other comprehensive income/(loss) of associated companies		232,419	(104,326)
Other comprehensive income/(loss) for the year, net of tax		1,174,172	(98,881)
Total comprehensive income/(loss) for the year		4,186,731	(2,723,149)
Profit/(loss) attributable to:			
Equity holders of the Company		2,976,022	(2,424,734)
Non-controlling interests		36,537	(199,534)
Profit/(loss) for the year		3,012,559	(2,624,268)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		4,060,519	(2,504,390)
Non-controlling interests		126,212	(218,759)
		4,186,731	(2,723,149)
Earnings/(loss) per share for profit/(loss) attributable to equity holders of the Company (cents per share)			
Basic and diluted			
From continuing and discontinued operations	10	0.65	(0.61)
From continuing operations	10	0.65	(0.54)
From discontinued operation	10	–	(0.07)

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

BALANCE SHEETS

At 31 December 2017

	Note	Group 2017 USD	Group 2016 USD	Company 2017 USD	Company 2016 USD
Non-current assets					
Property, plant and equipment	11	7,125,312	3,080,207	11,080	11,719
Intangible assets	12	5,779,944	936,712	277	277
Investment in subsidiaries	16	–	–	23,007,691	16,245,427
Investment in associated companies	17	9,302,476	3,433,315	8,954,824	3,297,670
Film production inventories	13	747,502	354,817	–	–
Deferred tax assets	14	131,420	122,460	–	–
Trade and other receivables	19	838,108	–	–	–
Investments	18	786,206	–	459,530	–
Total non-current assets		24,710,968	7,927,511	32,433,402	19,555,093
Current assets					
Film production inventories	13	819,828	69,475	–	–
Inventories		6,846	4,575	–	–
Investments	18	5,879,185	4,456,510	–	–
Loan to subsidiaries	15	–	–	1,179,000	429,050
Trade and other receivables	19	8,734,592	3,615,030	544,963	398,738
Cash and cash equivalents	20	6,236,554	5,936,388	764,137	470,222
Total current assets		21,677,005	14,081,978	2,488,100	1,298,010
Total assets		46,387,973	22,009,489	34,921,502	20,853,103
Non-current liabilities					
Borrowings	23	2,940,391	1,903,186	–	–
Other non-current liabilities		73,284	135,775	–	–
Deferred tax liabilities	14	465,748	34,534	–	–
Total non-current liabilities		3,479,423	2,073,495	–	–
Current liabilities					
Trade and other payables	21	8,382,258	3,013,379	489,905	181,399
Film obligations and production loans	24	2,578,626	911,568	–	–
Deferred revenue	22	681,352	2,649,197	–	–
Borrowings	23	1,251,699	–	–	–
Tax payable		305,562	153,229	–	–
Total current liabilities		13,199,497	6,727,373	489,905	181,399
Total liabilities		16,678,920	8,800,868	489,905	181,399
Net assets		29,709,053	13,208,621	34,431,597	20,671,704
Equity					
Share capital	25	37,461,301	25,019,233	37,461,301	25,019,233
Treasury shares	25	(134,041)	–	(134,041)	–
Other reserves	26	(2,296,227)	(3,386,398)	–	–
Accumulated losses		(6,096,174)	(9,072,196)	(2,895,663)	(4,347,529)
Equity attributable to equity holders of the Company, total		28,934,859	12,560,639	34,431,597	20,671,704
Non-controlling interests		774,194	647,982	–	–
Total equity		29,709,053	13,208,621	34,431,597	20,671,704

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

Group	Attributable to equity holders of the Company							
	Share capital USD	Treasury shares 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 2017	25,019,233	–	(3,386,398)	(9,072,196)	–	12,560,639	647,982	13,208,621
Profit for the year	–	–	–	2,976,022	–	2,976,022	36,537	3,012,559
Other comprehensive income								
Share of other comprehensive income of associated companies	–	–	232,419	–	–	232,419	–	232,419
Currency translation differences on consolidation	–	–	851,806	–	–	851,806	89,675	941,481
Currency translation differences reclassified to profit or loss on:								
– Disposal of associated company	–	–	272	–	–	272	–	272
Total comprehensive income for the year	–	–	1,084,497	2,976,022	–	4,060,519	126,212	4,186,731
Issue of ordinary shares (Note 25)	12,593,466	–	–	–	–	12,593,466	–	12,593,466
Share issue expenses (Note 25)	(151,398)	–	–	–	–	(151,398)	–	(151,398)
Purchase of treasury shares (Note 25)	–	(134,041)	–	–	–	(134,041)	–	(134,041)
Others	–	–	5,674	–	–	5,674	–	5,674
Balance at 31 December 2017	37,461,301	(134,041)	(2,296,227)	(6,096,174)	–	28,934,859	774,194	29,709,053
Balance at 1 January 2016	25,019,233	–	(3,099,598)	(6,647,462)	(207,144)	15,065,029	1,629,959	16,694,988
Loss for the year	–	–	–	(2,424,734)	–	(2,424,734)	(199,534)	(2,624,268)
Other comprehensive loss								
Share of other comprehensive loss of associated companies	–	–	(104,326)	–	–	(104,326)	–	(104,326)
Currency translation differences on consolidation	–	–	(309,635)	–	84,985	(224,650)	(19,225)	(243,875)
Currency translation differences reclassified to profit or loss on:								
– Disposal of subsidiaries	–	–	1,133	–	122,159	123,292	–	123,292
– Disposal of associated company	–	–	126,028	–	–	126,028	–	126,028
Total comprehensive (loss)/income for the year	–	–	(286,800)	(2,424,734)	207,144	(2,504,390)	(218,759)	(2,723,149)
Disposal of subsidiaries	–	–	–	–	–	–	(763,218)	(763,218)
Balance at 31 December 2016	25,019,233	–	(3,386,398)	(9,072,196)	–	12,560,639	647,982	13,208,621

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

	Share capital USD	Treasury shares USD	Accumulated losses USD	Total equity USD
Company				
Balance at 1 January 2017	25,019,233	–	(4,347,529)	20,671,704
Profit and total comprehensive income for the year	–	–	1,451,866	1,451,866
Issue of ordinary shares (Note 25)	12,593,466	–	–	12,593,466
Share issue expenses (Note 25)	(151,398)	–	–	(151,398)
Purchase of treasury shares (Note 25)	–	(134,041)	–	(134,041)
Balance at 31 December 2017	37,461,301	(134,041)	(2,895,663)	34,431,597
Balance at 1 January 2016	25,019,233	–	(3,730,026)	21,289,207
Loss and total comprehensive loss for the year	–	–	(617,503)	(617,503)
Balance at 31 December 2016	25,019,233	–	(4,347,529)	20,671,704

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

	Note	2017 USD	2016 USD
Cash flows from operating activities			
Profit/(loss) before tax from continuing operations		3,711,471	(2,382,880)
Loss before tax from discontinued operation	9	–	(351,060)
Profit/(loss) before tax, total		3,711,471	(2,733,940)
Adjustments for:			
Depreciation of property, plant and equipment	11	677,744	209,459
Interest income		(153,809)	(75,277)
Interest expense	5	100,442	121,306
Impairment loss on film production inventories	6	17,894	111,275
Share of results of associated companies		(26,821)	71,282
(Gain)/loss on disposal of associated company		(2,697,253)	94,478
Amortisation of intangible assets	12	131,502	32,426
Fair value loss on investment in insurance products		–	9,415
Impairment loss on investment in theatrical projects	6	88,430	468,719
Impairment loss on investment in film investment funds	6	173,393	180,844
Impairment loss on intangible assets	6	243,049	–
Fair value gain on investment in mutual funds	4	(15,942)	(10,908)
Allowance for doubtful debts	6	258,914	27,044
Reversal of allowance for doubtful debt		–	(183,761)
Profit on film distributable to external investors	6	–	602,858
Loss on film borne by external investors	4	–	(5,449,696)
Reversal of loss on film borne by external investors	6	370,809	25,443
Gain on disposal of subsidiaries		–	(2,398,118)
Loss on disposal of property, plant and equipment		–	33,873
Loss/(gain) on disposal of investments		14,993	(18,572)
Operating profit/(loss) before working capital changes		2,894,816	(8,881,850)
Change in operating assets and liabilities, net of effects from acquisition of subsidiaries:			
Investment in theatrical film projects, net		750,745	(878,931)
Inventories		(1,597)	(1,231)
Film production inventories		(864,188)	1,727,439
Receivables		(4,016,702)	24,213,875
Payables		(340,434)	(9,532,524)
Currency translation adjustments		(969,602)	114,402
Cash (used in)/generated from operations		(2,546,962)	6,761,180
Interest received		144,288	21,679
Income tax paid		(431,859)	(391,689)
Net cash (used in)/generated from operating activities		(2,834,533)	6,391,170

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

	Note	2017 USD	2016 USD
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		–	87,489
Purchases of property, plant and equipment		(756,111)	(193,112)
Purchases of intangible assets	12	(103,301)	(223,040)
Acquisition of a subsidiary, net cash acquired	16c	535,694	–
Net cash from disposal of subsidiaries		–	919,005
Proceeds from disposal of long term investment		–	59,211
Purchases of short term investments		(4,073,093)	(1,236,963)
Proceeds from disposal of short term investments		1,081,064	2,230,837
Additional short term loans		(2,791,380)	(337,407)
Repayment of short term loans		1,603,159	424,128
Net cash (used in)/generated from investing activities		(4,503,968)	1,730,148
Cash flows from financing activities			
Interest paid		(100,770)	(163,416)
Repayment of borrowings		(512,100)	(2,604,916)
Proceeds from borrowings		542,959	1,104,811
Advances received from staff		1,218,256	–
Proceeds from film obligations and production loans		2,299,176	3,642,003
Repayment of film obligations and production loans		(450,992)	–
Payment of box office proceeds to investors		–	(10,013,870)
Proceeds from issuance of shares		4,395,427	–
Share issue expense		(151,398)	–
Purchase of treasury shares		(134,041)	–
Net cash generated from/(used in) financing activities		7,106,517	(8,035,388)
Net (decrease)/increase in cash and cash equivalents		(231,984)	85,930
Cash and cash equivalents at beginning of the financial year		5,936,388	5,948,930
Effects of exchange rate changes on cash and cash equivalents		532,150	(98,472)
Cash and cash equivalents at end of the financial year		6,236,554	5,936,388

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

1 CORPORATE INFORMATION

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

The principal activity of the Company is an investment holding company. The principal activities of the subsidiaries are disclosed in Note 16.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements of the Group are expressed in United States Dollar ("USD"). The financial statements of the Group have been prepared in accordance with the provisions of the Companies Act and Financial Reporting Standards in Singapore ("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.

Use of estimates and judgements

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

a) Basis of preparation (Cont'd)

New and revised standards

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.

From 1 January 2017, as a result of the amendments to FRS 7 Statement of Cash Flows (Disclosure Initiative), the Group has provided additional disclosure in relation to changes in liabilities from financing activities for the current financial year (Note 23 (d)).

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.

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 2017 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:

Convergence with International Financial Reporting Standards (IFRS)

The Accounting Standards Council ("ASC") announced that Singapore incorporated companies listed on the Singapore Exchange ("SGX") or are in the process of issuing equity or debt instruments for trading on SGX, will apply a new financial reporting framework identical to the International Financial Reporting Standards (IFRS Convergence), known as Singapore Financial Reporting Standards (International) ("SFRS(I)"), with effect from annual periods beginning on or after 1 January 2018.

The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I) issued by ASC. These financial statements will be the last set of financial statements prepared under the current FRS in Singapore.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. In addition to the adoption of the new framework, the Group will be adopting other new SFRS(I), amendments to standards and interpretations of SFRS(I) which are effective from the same date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

a) Basis of preparation (Cont'd)

New and revised standards (Cont'd)

The Group does not expect the application of the new standards, amendments to standards and interpretations, and the IFRS Convergence to have significant impact on the financial statements except as set out below:

Application of SFRS(I) 1 and IFRS Convergence

When the Group adopts SFRS(I) in its 2018 financial statements, the Group will apply SFRS(I) 1 with 1 January 2017 as the date of transition for the Group and the Company.

SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, subject to certain mandatory exceptions and optional exemptions under SFRS(I) 1. The Group plans to elect relevant optional exemptions. Except as described below, the Group does not expect the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 to have any significant impact on the financial statements.

Foreign currency translation reserve

The Group plans to elect the optional exemption to reset its cumulative foreign currency translation reserve for all foreign operations to nil at the date of transition on 1 January 2017. As a result, the foreign currency translation reserve of (USD662,231), determined in accordance with FRSs as at 1 January 2017 will be reclassified to retained earnings as at 1 January 2017.

Subsequent to the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

SFRS(I) 15 Revenue from Contracts with Customers

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

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

a) Basis of preparation (Cont'd)

New and revised standards (Cont'd)

SFRS(I) 15 Revenue from Contracts with Customers (Cont'd)

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. SFRS(I) 15 includes disclosure requirements that will result in disclosure of comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group plans to adopt SFRS(I) 15 in its financial statements for the financial year ending 31 December 2018 using the full retrospective approach. As a result, the Group will apply the changes in accounting policies retrospectively to each reporting year presented.

Management has performed a preliminary impact assessment of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected.

The Group plans to use the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as completed contracts at the beginning of the earliest period presented, are not restated.

The Group is in the business of the production and distribution of films. The Group expects the following impact upon adoption of SFRS(I) 15:

Variable consideration

For revenue from production of films, the Group currently recognises producer's share of box office profits when it is probable that an economic benefit will flow to the Group and the revenue can be measured reliably. Under SFRS(I) 15, share of box office profits entitled by the producer constitutes a variable consideration because it depends on the box office performances. In determining the transaction price, an estimate for variable consideration to which the Group will be entitled using the expected value method or most likely amount will be made. Revenue is only recognised to the extent that it is highly probable that there will be no significant reversal when the uncertainty is resolved.

Upon the adoption of SFRS(I) 15, the Group does not expect this to have a material financial impact on revenue from production of films for the financial year ended 31 December 2017 as no films which were produced by the Group were released during the financial year.

The Group plans to adopt the new standard when it becomes effective in financial year ending 31 December 2018. The Group is finalising its assessment and quantification of the impact and of the transition adjustments on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

a) Basis of preparation (Cont'd)

New and revised standards (Cont'd)

SFRS(I) 9 Financial Instruments

SFRS(I) 9 which replaces IAS 39, includes guidance on (i) the classification and measurement of financial assets and financial liabilities; (ii) impairment requirements for financial assets; and (iii) general hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on an expected credit loss model and replace IAS 39 incurred loss model.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 at the date of initial application in the opening retained earnings and reserves as at 1 January 2018.

(a) Classification and measurement

The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under SFRS(I) 9:

- Loans and receivables that are currently accounted for at amortised cost are expected to continue to be measured at amortised cost.
- The Group elects to present changes in fair value in other comprehensive income (OCI) for equity instruments currently classified as available-for-sale (AFS) financial assets because these investments are not held for trading.

Unquoted equity securities currently classified as AFS but which is measured at cost under IAS 39 will be measured at fair value under SFRS(I) 9. The Group will present changes in fair value of these assets in OCI/profit or loss.

Upon the adoption of SFRS(I) 9, the Group expects to have no material financial impact to the opening retained earnings or other component of equity arising from the re-measurement of AFS unquoted equity securities from cost to fair value.

(b) Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group does not expect a significant impact on the impairment allowance for its trade receivables for the financial year ended 31 December 2017.

The Group will adopt SFRS(I) 9 when it becomes effective in financial year ending 31 December 2018. The Group is currently finalising the computation of the impact and the quantum of the final transition adjustments, which may be different upon finalisation.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

a) Basis of preparation (Cont'd)

New and revised standards (Cont'd)

SFRS(I) 16 Leases

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

The standard is effective for annual periods beginning on or after 1 January 2019. The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of USD762,081 (Note 27). The Group anticipates that the adoption of SFRS(I) 16 in the future may potentially have a material impact on the amounts reported and disclosures made in the financial statements. It is not practicable to provide a reasonable estimate of the impact of SFRS(I) 16 until the Group performs a detailed assessment. The Group is in the process of performing a detailed assessment of the impact and plans to adopt the standard on the required effective date.

b) Basis of consolidation

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

b) Basis of consolidation (Cont'd)

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

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

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). The carrying amount of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to owners of the Company.

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, if any. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

d) Associated companies

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

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

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

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

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

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

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

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.

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e) Goodwill

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

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

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

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

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

f) Revenue recognition

Revenue comprises 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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2 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)

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.

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 balance sheet date 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 films 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 2017

2 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 from operating leases 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 any impairment in value.

The cost of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

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

Depreciation

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

h) Intangible assets

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

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

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

i) Film production inventories (Cont'd)

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

j) Impairment of non-financial assets excluding goodwill

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

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

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

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

k) Leases

(1) When a Group entity is the lessee:

Finance leases

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

k) Leases (Cont'd)

(1) When a Group entity is the lessee: (Cont'd)

Operating leases

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

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

(2) When a Group entity is the lessor:

Operating leases

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

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

l) Income taxes

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

l) Income taxes (Cont'd)

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

m) Financial assets

Classification

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

Financial assets, at fair value through profit or loss

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are presented as "trade and other receivables" (excluding prepayments), "loan to subsidiaries" and "cash and cash equivalents" on the balance sheet.

Financial assets, available-for-sale

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

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

m) Financial assets (Cont'd)

Initial measurement

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

Subsequent measurement

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

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

Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Loans and receivables

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

m) Financial assets (Cont'd)

Impairment (Cont'd)

Financial assets, available-for-sale

In the case of an equity security classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the security is impaired.

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that was recognised directly in the fair value reserve is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised.

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

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 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.

p) Film obligations and production loans

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

p) Film obligations and production loans (Cont'd)

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

q) Provisions for other liabilities

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

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

r) Share capital

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

s) Repurchase of share capital (treasury shares)

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

t) Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

u) Employee benefits

Defined contribution plans

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

Employee leave entitlements

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

v) Foreign currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which that entity operates (the "functional currency"). The financial statements of the Group and the Company are presented in United States dollar ("USD"), which is the Company's functional currency.

Transactions and balances

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

v) Foreign currencies (Cont'd)

Translation of Group entities' financial statements

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

(i) Assets and liabilities are translated at the closing rates at the date of the balance sheet;
(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
(iii) All resulting exchange differences are recognised in the currency translation reserve within equity.

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

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

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

w) Government grants

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

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

x) Segment reporting

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2 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 judgements and key sources of estimation uncertainty

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

Acquisitions of subsidiaries and associated companies

The initial accounting on acquisition of subsidiaries and associated company involve the fair valuation of the consideration transferred, the identification of the acquired assets and liabilities and their respective fair values. The fair value measurement of the consideration transferred, and the assets and liabilities identified during the acquisition of subsidiaries are determined by independent valuer and management by reference to comparable market prices or present value of expected net cash flows from the assets. Any changes in the assumptions used and estimates made in determining the fair values will impact the carrying amount of the assets and liabilities identified, goodwill and investments in subsidiaries and associated companies. During the financial year, the Group acquired two subsidiaries and an associated company, and increased its investment in an associated company as disclosed in Note 16 and 17.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

z) Critical accounting judgements and key sources of estimation uncertainty (Cont'd)

Impairment of intangible assets

Goodwill are tested for impairment annually and whenever there is indication that goodwill may be impaired. Other intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. The recoverable amounts of the cash generating units which goodwill and customer relationships have been allocated to are determined based on the value in use prepared on the basis of management's assumptions and estimates. The key assumptions and estimates applied in the determination of the value in use including a sensitivity analysis, and the carrying amount of intangible assets are disclosed and further explained in Note 12.

Impairment of investments in subsidiaries and associated companies

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

When value in use calculations are undertaken, management is required to estimate the expected future cash flows from the business and a suitable terminal growth rate and discount rate, in order to determine the present value of those cash flows. The carrying amount of investments in subsidiaries and associated companies are disclosed in Notes 16 and 17 respectively.

3 REVENUE

	Group	
	2017 USD	**2016 USD**
Revenue from distribution of films	4,548,513	3,895,476
Revenue from production of films	12,857,715	10,591,330
Leasing of equipment	2,253,668	–
Others	892,245	648,255
	20,552,141	15,135,061

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

4 OTHER INCOME AND GAINS

	Group	
	2017 USD	**2016 USD**
Interest income		
– Fixed deposits	3,288	1,901
– Loan to related party	64,478	27,062
– Loan to third parties	68,534	32,216
– Money market funds	17,509	12,659
	153,809	73,838
Fair value gain on investment in mutual funds	15,942	10,908
Foreign exchange gain	181,584	212,087
Loss on film borne by external investors	–	5,449,696
Rental income		
– Related party	38,202	131,535
– Third parties	–	592
Government grants	–	27,111
Gain on disposal of subsidiaries	–	2,398,118
Gain on disposal of associated company	2,697,253	–
Others	197,292	109,372
	3,284,082	8,413,257

5 FINANCE COSTS

	Group	
	2017 USD	**2016 USD**
Interest expenses		
– Bank loans	64,782	77,547
– Finance leases	35,660	–
– Others	–	43,759
	100,442	121,306

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

6 PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS

	Group	
	2017 USD	2016 USD
Profit/(loss) before tax is arrived at after charging/(crediting):		
Allowance for doubtful receivables (Note 28b)	258,914	27,044
Amortisation of intangible assets (Note 12)	131,502	32,426
Audit fees paid/payable to		
– Auditor of the Company	59,821	55,309
– Other auditors of the Group*	97,669	122,513
Fees for non-audit services paid/payable to:		
– Auditor of the Company	–	–
– Other auditors of the Group	24,037	66,000
Depreciation of property, plant and equipment (Note 11)	677,744	204,447
Fair value loss on investment in insurance products	–	9,415
Impairment loss on investment in theatrical projects	88,430	468,719
Impairment loss on investment in film investment funds	173,393	180,844
Impairment loss on intangible assets	243,049	–
Loss on disposal of property, plant and equipment	–	32,844
Personnel expenses (Note 7)	2,365,778	2,495,662
Reversal of allowance of doubtful receivables (Note 28b)	–	(57,734)
Rental expense	1,103,529	886,579
Travelling expenses	183,839	147,572
Impairment loss on film production inventories (Note 13)	17,894	111,275
Profit on film distributable to external investors	–	602,858
Reversal of loss on film borne by external investors	370,809	25,443
Loss on disposal of associated company	–	94,478
Foreign exchange loss	167,812	251,014

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

7 PERSONNEL EXPENSES

	Group	
	2017 USD	2016 USD
Key management personnel		
– Salaries, bonus and other benefits	955,694	960,076
– Defined contribution benefits	35,127	75,222
– Other short-term benefits	–	34,183
	990,821	1,069,481
Other personnel		
– Salaries and bonus	1,066,759	1,087,318
– Defined contribution benefits	88,475	80,115
– Other short-term benefits	219,723	258,748
	1,374,957	1,426,181
	2,365,778	2,495,662

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

8 TAX EXPENSE/(CREDIT)

	Group	
	2017 USD	2016 USD
Tax expense/(credit) attributable to profit/(loss) is made up of:		
From continuing operations		
Current income tax provision	462,598	272,428
Deferred tax (Note 14)	198,836	(402,042)
	661,434	(129,614)
Under provision in respect of previous financial year – current income tax	37,478	–
	698,912	(129,614)
From discontinued operation		
Current income tax provision	–	19,942
	698,912	(109,672)

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

	Group	
	2017 USD	2016 USD
Profit/(loss) before tax from:		
Continuing operations	3,711,471	(2,382,880)
Discontinued operation	–	(351,060)
Profit/(loss) before tax	3,711,471	(2,733,940)
Tax at domestic rates applicable to profit/loss in countries where the Group operate	819,104	(657,941)
Expenses not deductible for tax purposes	344,978	375,303
Income not subject to tax	(559,040)	(395,689)
Deferred tax assets not recognised for the year	120,230	543,646
Under provision in prior year	37,478	–
Others	(63,838)	25,009
	698,912	(109,672)

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% (2016: 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% (2016: 22%).

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

9 DISCONTINUED OPERATION

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 of the Group's 51.49% equity interest in a subsidiary, UAA Korea Co., Ltd ("UAA") at a consideration of USD2,112,000. 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 as at 31 December 2015. This sale and purchase agreement was terminated on 19 April 2016.

On 8 July 2016, the Group entered into a sale and purchase agreement to dispose of the Group's investment in two subsidiaries, UAA and Opus Pictures Limited Liability Company ("Opus").

An analysis of the results of discontinued operation comprising the operation of UAA, and its results recognised on the remeasurement of disposal group is as follows:

	Group 2016 USD
Revenue	2,584,742
Cost of sales	(2,793,668)
Other income	133,278
Expenses	(275,412)
Loss before tax from discontinued operation (i)	(351,060)
Tax expense	(19,942)
Loss after tax from discontinued operation	(371,002)

(i) Loss before tax from discontinued operation

	2016 USD
Loss before tax is arrived at after charging/(crediting):	
Depreciation of property, plant and equipment	5,012
Loss on disposal of property, plant and equipment	1,029
Personnel expenses	142,719
Reversal of allowance for doubtful debts	(126,027)
Rental expense	581
Travelling expenses	12,796

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

	Group 2016 USD
Operating cash flows	(2,129,163)
Investing cash flows	340,415
Total cash flows	(1,788,748)

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

10 EARNINGS/(LOSS) PER SHARE

From continuing and discontinued operations

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

	2017 USD	2016 USD
Net profit/(loss) for the year attributable to equity holders of the Company	2,976,022	(2,424,734)
Weighted average number of ordinary shares for basic earnings/(loss) per share	458,267,290	398,770,209

From continuing operations

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

Profit/(loss) figures are calculated as follows:

	2017 USD	2016 USD
Profit/(loss) for the year attributable to equity holders of the Company	2,976,022	(2,424,734)
Less: Loss for the year from discontinued operation	–	256,178
Profit/(loss) for the purposes of basic earnings/(loss) per share from continuing operations	2,976,022	(2,168,556)

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

From discontinued operation

Basic and diluted loss per share for the discontinued operation is based on the loss for the financial year ended 31 December 2016 from the discontinued operation of USD256,178 and the denominators detailed above for both basic and diluted loss per share.

The Company did not hold any dilutive potential ordinary shares during the financial year (2016: Nil).

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

11 PROPERTY, PLANT AND EQUIPMENT

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

	Land USD	Building USD	Equipment USD	Motor vehicles USD	Leasehold improvements USD	Total USD
Group						
2016						
Cost						
At 1.1.2016	378,644	2,653,046	236,252	65,551	344,402	3,677,895
Additions	–	–	12,819	64,848	40,853	118,520
Transfer from disposal group classified as held for sale	–	–	64,061	–	–	64,061
Reclassifications	–	–	(142,380)	–	142,380	–
Disposal	–	–	–	(64,848)	–	(64,848)
Disposal of subsidiaries	–	–	(85,619)	(66,310)	–	(151,929)
Currency translation differences	(11,436)	(80,130)	(5,419)	759	(11,443)	(107,669)
At 31.12.2016	367,208	2,572,916	79,714	–	516,192	3,536,030
Accumulated depreciation						
At 1.1.2016	–	5,497	83,686	18,566	232,377	340,126
Depreciation charge	–	66,983	38,057	20,232	79,175	204,447
Reclassifications	–	–	(76,044)	–	76,044	–
Disposal	–	–	–	(11,705)	–	(11,705)
Disposal of subsidiaries	–	–	(34,671)	(27,684)	–	(62,355)
Currency translation differences	–	(2,827)	(3,876)	591	(8,578)	(14,690)
At 31.12.2016	–	69,653	7,152	–	379,018	455,823
Net carrying value						
At 31.12.2016	367,208	2,503,263	72,562	–	137,174	3,080,207

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

11 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Equipment USD	Leasehold improvements USD	Total USD
Company			
2017			
Cost			
At 1.1.2017	14,233	4,090	18,323
Additions	3,947	–	3,947
At 31.12.2017	18,180	4,090	22,270
Accumulated depreciation			
At 1.1.2017	4,452	2,152	6,604
Depreciation charge	3,230	1,356	4,586
At 31.12.2017	7,682	3,508	11,190
Net carrying value			
At 31.12.2017	10,498	582	11,080
2016			
Cost			
At 1.1.2016	12,131	4,090	16,221
Additions	2,102	–	2,102
At 31.12.2016	14,233	4,090	18,323
Accumulated depreciation			
At 1.1.2016	1,713	796	2,509
Depreciation charge	2,739	1,356	4,095
At 31.12.2016	4,452	2,152	6,604
Net carrying value			
At 31.12.2016	9,781	1,938	11,719

(a) At the balance sheet date, the net carrying values of property, plant and equipment of the Group acquired under finance lease agreements amounted to USD1,036,107 (2016: USDNil). Additions include USD784,161 (2016: USDNil) of plant and equipment acquired under finance lease (Note 23).

(b) Bank borrowings are secured on the land and building of the Group with a net carrying value of USD3,165,233 (2016: USD2,870,471) (Note 23).

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

12 INTANGIBLE ASSETS

	Acquired libraries USD	Software USD	Goodwill USD	Content development USD	Customer relationships USD	Others USD	Total USD
Group							
2017							
Cost							
At 1.1.2017	27,766	5,922	727,303	206,867	–	–	967,858
Acquisition of subsidiaries	–	167,250	3,890,758	–	973,034	–	5,031,042
Additions	48,828	–	–	54,473	–	–	103,301
Written-off	–	–	–	(275,547)	–	–	(275,547)
Currency translation differences	2,708	7,490	93,069	14,207	–	–	117,474
At 31.12.2017	79,302	180,662	4,711,130	–	973,034	–	5,944,128
Accumulated amortisation							
At 1.1.2017	27,766	3,380	–	–	–	–	31,146
Amortisation charge	–	27,248	–	–	104,254	–	131,502
Currency translation differences	–	1,536	–	–	–	–	1,536
At 31.12.2017	27,766	32,164	–	–	104,254	–	164,184
Net carrying value							
At 31.12.2017	51,536	148,498	4,711,130	–	868,780	–	5,779,944
2016							
Cost							
At 1.1.2016	23,929	4,370	800,133	–	–	32,164	860,596
Additions	4,748	2,868	–	215,424	–	–	223,040
Disposal of subsidiaries	–	(859)	–	–	–	(32,366)	(33,225)
Currency translation differences	(911)	(457)	(72,830)	(8,557)	–	202	(82,553)
At 31.12.2016	27,766	5,922	727,303	206,867	–	–	967,858
Accumulated amortisation							
At 1.1.2016	–	3,698	–	–	–	16,312	20,010
Amortisation charge	28,915	322	–	–	–	3,189	32,426
Disposal of subsidiaries	–	(272)	–	–	–	(19,276)	(19,548)
Currency translation differences	(1,149)	(368)	–	–	–	(225)	(1,742)
At 31.12.2016	27,766	3,380	–	–	–	–	31,146
Net carrying value							
At 31.12.2016	–	2,542	727,303	206,867	–	–	936,712

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

12 INTANGIBLE ASSETS (CONT'D)

	Software USD
Company	
Cost	
At 1.1.2016	–
Additions	277
At 31.12.2016 and 31.12.2017	277
Accumulated amortisation	
Amortisation charge and at 31.12.2017 and 31.12.2016	–
Net carrying value	
At 31.12.2017 and 31.12.2016	277

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

Provisional goodwill of the acquisition of Take Pictures

Upon the completion of acquisition of Take Pictures, a provisional goodwill amounting to USD2,003,855 was recognised during the financial year. The provisional goodwill represents an excess on the cost of the acquisition over the estimated fair value of the net identifiable assets of Take Pictures prior to the acquisition.

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

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

Impairment test of goodwill

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

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

	Frame CGU	Novus Mediacorp CGU	
	2017 USD	2017 USD	2016 USD
Goodwill	1,864,006	820,372	727,303
Intangible assets – customer relationships	868,780	–	–

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

12 INTANGIBLE ASSETS (CONT'D)

Key assumptions used in value-in-use calculation

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

	Frame CGU	Novus Mediacorp CGU	
	2017	2017	2016
	%	%	%
Gross margin[1]	37 to 40	9 to 11	11
Growth rate[2]	0	2	0
Discount rate[3]	17	16	19

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

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

Sensitivity to changes in assumptions

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

13 FILM PRODUCTION INVENTORIES

	Group	
	2017 USD	**2016 USD**
Cost		
Balance at beginning of the financial year	911,718	10,988,385
Acquisition of subsidiaries	198,400	–
Additions	9,875,177	17,388,800
Charged to cost of sales	(9,010,989)	(18,308,939)
Disposal	–	(3,089,071)
Disposal of a subsidiary	–	(6,088,495)
Currency translation differences	161,709	21,038
Balance at end of the financial year	2,136,015	911,718
Accumulated impairment losses		
Balance at beginning of the financial year	487,426	2,554,306
Impairment loss	17,894	111,275
Disposal of a subsidiary	–	(2,168,823)
Currency translation differences	63,365	(9,332)
Balance at end of the financial year	568,685	487,426
Net carrying value		
Balance at end of the financial year	1,567,330	424,292
Representing:		
Current	819,828	69,475
Non-current	747,502	354,817
	1,567,330	424,292

14 DEFERRED TAX ASSETS/(LIABILITIES)

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

	Group	
	2017 USD	**2016 USD**
Balance at beginning of the financial year	87,926	(307,432)
Acquisition of subsidiaries	(222,930)	–
Tax (charged)/credited to		
– statement of profit or loss (Note 8)	(198,836)	402,042
– other comprehensive income	(22,935)	–
Currency translation differences	22,447	(6,684)
Balance at end of the financial year	(334,328)	87,926
Representing:		
Deferred tax assets	131,420	122,460
Deferred tax liabilities	(465,748)	(34,534)
	(334,328)	87,926

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

14 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	
	2017 USD	2016 USD
Tax losses	193,490	50,590
Differences in depreciation for tax purposes	(265,016)	–
Differences in amortisation for tax purposes	(191,132)	–
Other (taxable)/deductible temporary differences	(71,670)	37,336
	(334,328)	87,926

At the balance sheet date, the Group has unutilised tax losses of USD4,077,000 (2016: USD2,878,000) that are available for carry forward to offset against future taxable income subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. Deferred tax assets have been recognised in respect of USD880,000 (2016: USD230,000) of such losses. No deferred tax assets has been recognised in respect of the remaining USD3,197,000 (2016: USD2,650,000) 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.

15 LOAN TO SUBSIDIARIES

The amounts due from subsidiaries are non-trade in nature, bear interest at 2.00% – 4.60% (2016: 1.20% – 3.00%) per annum, unsecured and repayable on demand.

16 INVESTMENT IN SUBSIDIARIES

	Company	
	2017 USD	2016 USD
Unquoted equity shares, at cost		
Balance at beginning of financial year	16,245,427	16,245,427
Acquisitions during financial year	6,762,264	–
Balance at end of financial year	23,007,691	16,245,427

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

16 INVESTMENT IN SUBSIDIARIES (CONT'D)

a) Details of subsidiaries are as follows:

Name of subsidiary	Place of incorporation	Principal business	Proportion of ownership interest 2017 %	2016 %
Held by the Company				
Spackman Entertainment Group (HK) Limited ("SEG HK")#	Hong Kong	Investment holding company.	100.00	100.00
Frame Pictures Co., Ltd##	Korea	Leasing of movie/drama equipment.	100.00	–
Take Pictures Pte.Ltd. ("Take")###	Singapore	Web portals, development of other software and programming activities.	100.00	–
Noon Pictures Co., Ltd ("Noon")##	Korea	Professional photography services.	60.24	60.24
Novus Mediacorp Co., Ltd ("Novus Mediacorp")##	Korea	Development, production, importation and exportation, investment, distribution and promotion of motion pictures.	51.00	51.00
Held by SEG HK				
Spackman Equities Limited ("SEL")#	Hong Kong	Investment holding company.	100.00	100.00
Zip Cinema Co., Ltd ("Zip")#	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 2017

16 INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Name of subsidiary	Place of incorporation	Principal business	Proportion of ownership interest 2017 %	2016 %
Held by SEG HK (Cont'd)				
Spackman Entertainment Korea Inc. ("SEKI")#	Korea	Production, finance, and distribution of films. Production and sale of music albums and recording tapes. Consulting and services related to the above-mentioned business activities.	100.00	100.00
Held by SEKI				
Upper West Inc. ("Upper West")#	Korea	Restaurant business, franchise and service business, processing and sale of food.	94.38	83.15
Held by Take				
Studio Take Co., Ltd.##	Korea	Planning, production and distribution of films, television ("TV") dramas and performances.	100.00	–

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

Audited by Nexia Samduk, Korea

Audited by CK Assurance, Singapore

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

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

Name of subsidiary	Principal place of business/ Country of incorporation	Ownership interests held by NCI 2017 %	2016 %
Novus Mediacorp	Korea	49.00	49.00

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16 INVESTMENT IN SUBSIDIARIES (CONT'D)

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

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

	Novus Mediacorp	
	2017 USD	2016 USD
Summarised Balance Sheets		
Non-current assets	1,846	2,396
Current assets	5,836,937	5,471,671
Non-current liabilities	(207,616)	(87,562)
Current liabilities	(3,886,150)	(3,960,630)
Net assets	1,745,017	1,425,875
Net assets attributable to NCI	855,058	698,679
Summarised Income Statements		
Revenue	4,468,576	1,356,785
Profit before tax	257,339	5,331
Income tax expense	(127,844)	(36,090)
Profit/(loss) after tax	129,495	(30,759)
Other comprehensive income/(loss)	–	(44,107)
Total comprehensive income/(loss)	129,495	(74,866)
Profit/(loss) allocated to NCI	63,453	(15,072)
Summarised Cash Flows		
Operating cash flows	(104,371)	100,792
Investing cash flows	660,138	1,559,031
Financing cash flows	(1,068,088)	(1,165,263)
Net (decrease)/increase in cash and cash equivalents	(512,321)	494,560

c) Acquisition of subsidiaries

Acquisition of Frame

On 31 March 2017, the Company acquired 100% of the issued share capital of Frame Pictures Co., Ltd ("Frame") for USD3,879,384. The Group has acquired Frame in order to complement the Group's existing businesses and to add to the consistency of the Group's revenue stream.

i) Acquisition-date consideration transferred

	Group USD
Cash paid	806,379
Non-cash consideration	3,073,005
Total consideration transferred	3,879,384

NOTES TO THE FINANCIAL STATEMENTS
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16 INVESTMENT IN SUBSIDIARIES (CONT'D)

c) Acquisition of subsidiaries (Cont'd)

Acquisition of Frame (Cont'd)

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

	Group USD
Property, plant and equipment	2,625,946
Intangible assets	1,140,284
Trade and other receivables	839,541
Cash and cash equivalents	49,518
Trade and other payables	(1,276,403)
Borrowings	(1,140,578)
Deferred tax liabilities	(222,930)
Net identifiable assets acquired	2,015,378
Goodwill (Note 12)	1,864,006
Total consideration transferred	3,879,384

iii) Effect on cash flows of the Group

	Group USD
Total consideration for 100% equity interest acquired	3,879,384
Less: Non-cash consideration[1]	(3,073,005)
Consideration settled in cash	806,379
Less: Cash and cash equivalents of subsidiary acquired	(49,518)
Net cash outflow on acquisition	756,861

[1] The non-cash consideration for the acquisition was determined in the form of 497,250 issued and paid-up ordinary shares of the Company's associated company, Spackman Media Group Limited ("SMGL") at USD6.18 per share, representing the fair value of the equity of SMGL measured using the income approach.

iv) Goodwill

The acquired subsidiary is involved in the leasing of movie equipment. The goodwill of USD1,864,006 is attributable to significant synergies expected to arise to the Group after the acquisition.

v) Revenue and profit contribution

The acquired subsidiary contributed revenues of USD2,253,668 and net profit of USD329,625 to the Group for the period from 31 March 2017 to 31 December 2017. If the acquisition had occurred on 1 January 2017, the Group revenue would have been USD20.87 million and total profit would have been USD2.65 million.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

16 INVESTMENT IN SUBSIDIARIES (CONT'D)

c) Acquisition of subsidiaries (Cont'd)

Acquisition of Take Pictures

On 27 October 2017, the Company acquired 100% of the issued share capital of Take Pictures Pte. Ltd. and its subsidiaries ("Take Pictures") for USD2,882,880. The Group has acquired Take Pictures in order to expand the Group's annual movie production capacity.

i) Acquisition-date consideration transferred

	Group USD
Cash paid	433,967
Non-cash consideration	2,448,913
Total consideration transferred	2,882,880

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

	Group USD
Property, plant and equipment	2,754
Intangible assets	22,897
Trade and other receivables	8,285
Film production inventories	198,400
Cash and cash equivalents	1,726,522
Trade and other payables	(1,079,833)
Total identifiable net assets at estimated fair value	879,025
Provisional goodwill arising from acquisition (Note 12)	2,003,855
Total consideration transferred	2,882,880

iii) Effect on cash flows of the Group

	Group USD
Total consideration for 100% equity interest acquired	2,882,880
Less: Non-cash consideration[2]	(2,448,913)
Consideration settled in cash	433,967
Less: Cash and cash equivalents of subsidiary acquired	(1,726,522)
Net cash inflow on acquisition	(1,292,555)

[2] The fair value of the 25,686,816 new ordinary shares issued was based on the listed share price of the Company on 27 October 2017 of SGD0.13 (equivalent to USD0.095) per share, representing a premium of 15.0% to the volume weighted average price of SGD0.113 (equivalent to USD0.083) for each share on that date.

iv) Revenue and profit contribution

The acquired subsidiary contributed revenues of USD736,687 and net profit of USD6,766 to the Group for the period from 27 October 2017 to 31 December 2017. If the acquisition had occurred on 1 January 2017, the Group revenue would have been USD21.06 million and total profit would have been USD3.35 million.

NOTES TO THE FINANCIAL STATEMENTS
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17 INVESTMENT IN ASSOCIATED COMPANIES

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

	Group	
	2017 USD	2016 USD
Carrying amount:		
Spackman Media Group Limited ("SMGL")*	9,072,223	3,433,315
The Makers Studio Co., Ltd. ("The Makers")**	230,253	–
	9,302,476	3,433,315

The following information relates to associated companies of the Group:

Name of Company	Principal place of business/Country of incorporation	Principal activity	Ownership interest held 2017 %	Ownership interest held 2016 %
Held by Company				
Unquoted equity shares				
Spackman Media Group Limited ("SMGL")*	Hong Kong	Investment holding company	29.12	24.53
The Makers Studio Co., Ltd ("The Makers")**	Korea	Planning, production and distribution of films, television ("TV") dramas and performance	20.00	–

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

These associated companies are measured using the equity method.

On 20 March 2017, the Company has completed the share swap with certain existing shareholders of Spackman Media Group Limited ("SMGL"). Following the completion of the share swap, the Company owns an approximately 27.80% interest in SMGL. On 31 March 2017, the Company acquired Frame for KRW900 million and 497,250 of SMGL issued shares owned by the Company. Consequently, the Company's equity interest in SMGL was reduced to 26.17%. On 26 October 2017, the Company completed share swap with certain existing shareholders of SMGL. Following the completion of the share swap and as at the balance sheet date, the Company owns approximately 29.12% in SMGL.

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

17 INVESTMENT IN ASSOCIATED COMPANIES (CONT'D)

Summarised financial information for SMGL 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:

	2017 USD	2016 USD
Revenue	23,818,412	20,585,013
Profit after tax	187,018	136,640
Other comprehensive loss	(38,208)	(361,485)
Total comprehensive income	148,810	(224,845)
Non-current assets	8,183,940	7,582,700
Current assets	14,871,047	17,011,969
Non-current liabilities	(46,497)	(94,736)
Current liabilities	(10,333,338)	(12,886,582)
Net assets	12,675,152	11,613,351
Non-controlling interest	(295,226)	(186,933)
Net assets attributable to equity holders	12,379,926	11,426,418
Group's share of net assets attributable to equity holders based on proportion of ownership interest	3,604,771	2,802,903
Goodwill on acquisition	5,467,452	630,412
Carrying amount of investment	9,072,223	3,433,315

18 INVESTMENTS

	Group		Company	
	2017 USD	2016 USD	2017 USD	2016 USD
Non-current				
Investment in insurance products, at fair value	280,008	–	–	–
Long-term investment, at cost	506,198	–	459,530	–
	786,206	–	459,530	–
Current				
Investment in insurance products, at fair value	346,735	246,542	–	–
Investment in mutual funds, at fair value	–	826,419	–	–
Investment in theatrical projects, at fair value	3,517,404	1,041,695	–	–
Short-term investments, at cost	2,015,046	2,341,854	–	–
	5,879,185	4,456,510	–	–
	6,665,391	4,456,510	459,530	–

The fair value of the investment in insurance products and mutual funds were determined based on the net asset value of the funds as at the balance sheet date provided by the respective investment managers. These are classified within Level 2 of the fair value hierarchy (Note 29). The fair value of investment in theatrical projects was determined based on the estimated future cash flows from the investment and is classified within Level 3 of the fair value hierarchy (Note 29).

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

18 INVESTMENTS (CONT'D)

Short-term investments consist of investments in film investment funds and unquoted equity shares. Film investment funds relate to private equity funds that focus on investment in Korean movies and Korean music group. Unquoted equity shares represent interest in companies in Korea and Singapore which are engaged in entertainment, skin care, food and beverage related activities. These investments are carried at cost as the fair value of these short-term investments cannot be measured reliably.

During the financial year, the Group recognised the following impairment losses:

- Impairment loss of USD173,393 (2016: USD180,844) for investment in film investment funds to bring the carrying amount to the estimated recoverable amount from the investment.

- Full impairment amounting to USD88,430 (2016: USD468,719) was made for one (2016: three) theatrical project as the amounts invested in the project is not expected to be recoverable.

19 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 USD	2016 USD	2017 USD	2016 USD
Non-current				
Deposits	838,108	–	–	–
Current				
Trade receivables				
– Third parties	3,551,010	755,446	12,542	15,330
– Related parties	2,731	–	–	–
Less: Allowance for doubtful receivables	(66,336)	(887)	–	–
	3,487,405	754,559	12,542	15,330
Short-term loans				
– Directors	201,509	169,632	–	–
– Related party	1,000,000	–	–	–
– Third parties	334,231	230,451	–	–
	1,535,740	400,083	–	–
Less: Allowance for doubtful receivables	(254,896)	(132,396)	–	–
	1,280,844	267,687	–	–
Other receivables				
– Subsidiary	–	–	143,746	136,831
– Associated company	300,741	189,822	302,630	189,822
– Third parties	693,799	511,167	–	–
	994,540	700,989	446,376	326,653
Less: Allowance for doubtful receivables	(86,242)	–	–	–
	908,298	700,989	446,376	326,653
Advance payments	1,352,170	204,144	–	–

NOTES TO THE FINANCIAL STATEMENTS
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19 TRADE AND OTHER RECEIVABLES (CONT'D)

	Group		Company	
	2017 USD	2016 USD	2017 USD	2016 USD
Accrued income	192,565	123,101	–	–
Less: Allowance for doubtful receivables	(20,682)	(10,659)	–	–
	171,883	112,442	–	–
Prepayments	686,622	966,377	18,841	–
Deposits	847,370	608,832	67,204	56,755
	1,533,992	1,575,209	86,045	56,755
	8,734,592	3,615,030	544,963	398,738

The short-term loans to directors and third parties are unsecured, repayable on demand and interests are payable between 4.60% to 6.90% (2016: 6.90%) and between 4.60% to 36% (2016: Nil to 6.50%) per annum respectively.

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

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

Included in deposits was an amount of USD18,667 and USD16,549 for the years ended 31 December 2017 and 2016 respectively which had been pledged to banks as collateral for corporate credit cards.

20 CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 USD	2016 USD	2017 USD	2016 USD
Bank and cash balances	4,893,340	5,465,280	764,137	470,222
Money market funds	1,343,214	471,108	–	–
	6,236,554	5,936,388	764,137	470,222

NOTES TO THE FINANCIAL STATEMENTS
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21 TRADE AND OTHER PAYABLES

	Group		Company	
	2017 USD	2016 USD	2017 USD	2016 USD
Trade payables				
– Staff	12,386	7,395	–	–
– Third parties	4,007,918	105,033	–	–
– Related parties	49,003	–	–	–
Accrued operating expenses	269,002	236,541	157,087	181,399
Allowance for unutilised leave	46,801	33,226	–	–
Other payables				
– Subsidiary	–	–	332,818	–
– Third parties	334,844	1,775,647	–	–
– Related parties	79,730	–	–	–
– Staff	1,218,256	–	–	–
Advances received from				
– Third parties	922,078	516,984	–	–
Gross amount due to customer for contract in progress (i)	1,442,240	338,553	–	–
	8,382,258	3,013,379	489,905	181,399

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

(i) Details of gross amount due to customer for contract in progress are as follow:

	Group		Company	
	2017 USD	2016 USD	2017 USD	2016 USD
Progress billings and advances	11,204,340	1,598,055	–	–
Less: Aggregate amount of cost incurred and recognised profits to date	(9,762,100)	(1,259,502)	–	–
Gross amount due to customer for contract in progress	1,442,240	338,553	–	–

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

22 DEFERRED REVENUE

	Group	
	2017 USD	**2016 USD**
Minimum guarantee received for selling distribution rights of movie under production	681,352	2,649,197

23 BORROWINGS

		Group	
	Repayment period	**2017 USD**	**2016 USD**
Non-current			
Term loan I – average 6-months interest rate of bond insurance by banks in Korea	2019 – 2023	1,932,052	1,903,186
Term loan II – 1.50%	2019 – 2020	186,672	–
Finance lease liabilities	2019 – 2020	821,667	–
		2,940,391	1,903,186
Current			
Term loan I – average 6-months interest rate of bond insurance by banks in Korea	10 October 2018	214,672	–
Term loan II – 1.50%	31 December 2018	93,335	–
Term loan III – 5.14%	31 December 2018	186,672	–
Term loan IV – 4.09%	31 December 2018	106,403	–
Finance lease liabilities	31 December 2018	650,617	–
		1,251,699	–
Total borrowings		4,192,090	1,903,186

(a) The loans are secured by guarantees from Korea Credit Guarantee Fund and Korea Technology Finance Corporation, a mortgage of the land and building of the Group (Note 11) and a personal guarantee by a subsidiary's chief executive officer.

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

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23 BORROWINGS (CONT'D)

(c) Financial lease liabilities

	Group			
	2017		2016	
	Minimum lease payments USD	Present value USD	Minimum lease payments USD	Present value USD
Not later than one financial year	700,099	650,617	–	–
Later than one financial year but not later than five financial years	853,949	821,667	–	–
Total minimum lease payments	1,554,048	–		
Less: Future finance charges	(81,764)	–	–	–
Present value of finance lease liabilities	1,472,284	1,472,284	–	–
Representing finance lease liabilities:				
Current	650,617		–	
Non-current	821,667		–	
	1,472,284		–	
Effective interest rates	3.3% to 4.5%		–	

The net book values of plant and equipment acquired under finance lease agreements are disclosed in Note 11.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

24 FILM OBLIGATIONS AND PRODUCTION LOANS

	Group	
	2017 USD	**2016 USD**
Third parties	2,578,626	911,568

25 SHARE CAPITAL AND TREASURY SHARES

	No. of ordinary shares		Amount	
	Issued share capital	**Treasury shares**	**Share capital USD**	**Treasury shares USD**
2017				
Beginning of financial year	398,770,209	–	25,019,233	–
Purchase of treasury shares	–	(1,699,100)	–	(134,041)
Shares issued	118,399,307	–	12,593,466	–
Share issue expenses	–	–	(151,398)	–
End of financial year	517,169,516	(1,699,100)	37,461,301	(134,041)
2016				
Beginning and end of financial year	398,770,209	–	25,019,233	–

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

On 20 March 2017, the Company issued 38,100,000 ordinary shares for USD4,395,427 upon completion of share placement and 26,161,491 ordinary shares for USD3,036,683 in relation to the share sale and purchase agreement with certain existing shareholders of the Company's associated company, SMGL.

On 26 October 2017, the Company issued 28,451,000 ordinary shares for USD2,712,443 in relation to the acquisition of an additional 2.95% equity interest in SMGL and 25,686,816 ordinary shares for USD2,448,913 in relation to the acquisition of 100% equity interest in Take Pictures Pte. Ltd.

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

Treasury shares

The Company acquired 1,699,100 (2016: Nil) shares in the Company in the open market during the financial year. The total amount paid to acquire the shares was USD134,041 (2016: Nil) and this was presented as a component within shareholders' equity.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

26 OTHER RESERVES

	Group	
	2017 USD	2016 USD
Merger reserve	(2,724,167)	(2,724,167)
Currency translation reserve	427,940	(662,231)
	(2,296,227)	(3,386,398)

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

27 LEASE COMMITMENTS

Where the Group is a lessee

The Group leases various office premises, motor vehicles from non-related parties under non-cancellable operating lease agreements. The leases have an average tenure of between two to three years (2016: 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	
	2017 USD	2016 USD
Not later than one financial year	485,799	771,684
Between two and five years	269,527	299,729
	755,326	1,071,413

Where the Group is a lessor

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

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

	Group	
	2017 USD	2016 USD
Not later than one financial year	771,959	181,382
Between two and five years	853,949	58,806
	1,625,908	240,188

NOTES TO THE FINANCIAL STATEMENTS
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28 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

	Group		Company	
	2017 USD	2016 USD	2017 USD	2016 USD
Financial assets				
Trade and other receivables	6,695,800	2,444,509	526,122	398,738
Loan to subsidiaries	–	–	1,179,000	429,050
Cash and cash equivalents	6,236,554	5,936,388	764,137	470,222
Loans and receivables	12,932,354	8,380,897	2,469,259	1,298,010
Investments, at fair value through profit or loss	626,743	1,072,961	–	–
Available-for-sale financial assets,				
– at cost	2,521,244	2,341,854	459,530	–
– at fair value	3,517,404	1,041,695	–	–
Financial liabilities				
Trade and other payables	5,922,799	1,978,201	489,905	181,399
Film obligation and production loans	2,578,626	911,568	–	–
Borrowings	4,192,090	1,903,186	–	–
At amortised cost	12,693,515	4,792,955	489,905	181,399

(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 dollar (SGD) and Hong Kong dollar (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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

28 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

Foreign currency risk (Cont'd)

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

	2017		2016	
	SGD USD	HKD USD	SGD USD	HKD USD
Group				
Cash and cash equivalents	462,249	82	163,277	2,649
Company				
Cash and cash equivalents	181,231	–	161,980	–

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

Interest rate risk

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

The Group's income and operating cash flows are substantially independent on changes in market interest rates as 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 2 major debtors (2016: 3 major debtors) that individually represented 67% and 15% respectively (2016: 12% – 32%) 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 sheets.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

28 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

Credit risk (Cont'd)

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.

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

	Group	
	2017 USD	**2016 USD**
Gross amount (i)	428,156	143,942
Less: Allowance for impairment	(428,156)	(143,942)
	–	–
Movements in allowance for impairment:		
At beginning of the financial year	143,942	353,535
Allowance made (Note 6)	258,914	27,044
Reversal of allowance made (Note 6)	–	(57,734)
Currency translation differences	25,300	(32,779)
Disposal of subsidiaries	–	(146,124)
At end of the financial year	428,156	143,942

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

28 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.

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

	Within 1 year USD	2 to 5 years USD	More than 5 years USD	Total USD
Group				
2017				
Trade and other payables	5,922,799	–	–	5,922,799
Film obligations and production loans	2,578,626	–	–	2,578,626
Borrowings	1,301,181	3,007,211	106,550	4,414,942
2016				
Trade and other payables	1,978,201	–	–	1,978,201
Film obligations and production loans	911,568	–	–	911,568
Borrowings	–	1,946,403	95,763	2,042,166
Company				
2017				
Trade and other payables	489,905	–	–	489,905
2016				
Trade and other payables	181,399	–	–	181,399

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

29 FAIR VALUE OF ASSETS AND LIABILITIES

(a) *Fair value hierarchy*

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

a) Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

b) Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (ie derived from prices); and

c) Level 3 – input for the asset or liability that are not based on observable market data (unobservable inputs)

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

The level of fair value hierarchy for financial assets and financial liabilities measured at fair value on the balance sheet at 31 December 2017 are disclosed in Note 18.

(c) *Determination of fair values*

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

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

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

	Investment in theatrical projects	
	2017	**2016**
	USD	**USD**
Group		
Balance at beginning of financial year	1,041,695	757,532
Disposal of subsidiaries	–	(81,407)
Additions	3,251,796	965,101
Disposals	(919,572)	(86,170)
Impairment loss recognised in profit or loss	(88,430)	(468,719)
Currency translation differences	231,915	(44,642)
Balance at end of financial year	3,517,404	1,041,695
Total losses for the year included in:		
Profit or loss		
Cost of sales		
– Impairment loss of investment in theatrical projects	(88,430)	(468,719)
Other comprehensive loss		
Currency translation differences arising from consolidation	231,915	(44,642)

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

30 RELATED PARTY TRANSACTIONS

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

	Group	
	2017 USD	**2016 USD**
Associated companies		
Income		
Rental income	151,010	131,535
Interest income	60,328	27,062
	8,866	
Expense		
Interest expenses	–	7,174
Service fees	18,743	–
Loan to	1,000,000	–
Shareholder		
Rental expenses	96,030	105,859
Director		
Loan to	186,672	8,275

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

31 CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

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

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

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

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

The capital of the Group mainly consists of equity attributable to equity holders of the Company comprising share capital, treasury shares, accumulated losses and merger reserve. The Group's overall strategy remains unchanged from 2016.

The Group and the Company are in compliance with all externally imposed capital requirements for financial years ended 31 December 2017 and 2016.

32 SEGMENT INFORMATION

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

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

	Distribution of films		Production of films		Leasing of equipment		Others		Total	
	2017 USD	2016 USD	2017 USD	2016 USD	2017 USD	2016 USD	2017 USD	2016 USD	2017 USD	2016 USD
Revenue	4,548,513	3,895,476	12,857,715	10,591,330	2,253,668	–	892,245	648,255	20,552,141	15,135,061
Cost of sales	(2,944,381)	(8,539,423)	(9,010,989)	(10,457,734)	(34,640)	–	(287,155)	(140,057)	(12,277,165)	(19,137,214)
Loss on film borne by external investors	–	5,449,696	–	–	–	–	–	–	–	5,449,696
Gain on disposal of associated company	–	–	–	–	–	–	2,697,253	–	2,697,253	–
Share of results of associated companies	–	–	–	–	–	–	26,821	(71,282)	26,821	(71,282)
Profit on film distribution to investors	–	(602,858)	–	–	–	–	–	–	–	(602,858)
Reversal of loss on film borne by external investors	(370,809)	(25,443)	–	–	–	–	–	–	(370,809)	(25,443)
Impairment loss on film production inventories	(17,894)	(111,275)	–	–	–	–	–	–	(17,894)	(111,275)
Segment gross results	1,215,429	66,173	3,846,726	133,596	2,219,028	–	3,329,164	436,916	10,610,347	636,685
Selling expenses and general and administrative expenses (exclude depreciation and amortisation)	(1,292,877)	(1,326,240)	(3,654,699)	(3,605,887)	(640,586)	–	(253,613)	(220,701)	(5,841,775)	(5,152,828)
Segment net results	(77,448)	(1,260,067)	192,027	(3,472,291)	1,578,442	–	3,075,551	216,215	4,768,572	(4,516,143)
Unallocated other income:										
Other income									586,829	2,963,561
Unallocated expenses:										
Depreciation and amortisation									(740,506)	(138,415)
Other expenses									(802,982)	(570,577)
Finance costs									(100,442)	(121,306)
Profit/(loss) before tax									3,711,471	(2,382,880)
Tax (expense)/credit									(698,912)	129,614
Profit/(loss) for the year									3,012,559	(2,253,266)
Segment assets	3,006,733	1,188,798	8,499,419	3,232,199	1,489,757	–	589,807	197,829	13,585,716	4,618,826
Unallocated assets									32,802,257	17,390,663
Total assets									46,387,973	22,009,489
Segment liabilities	1,622,086	945,410	4,585,306	2,570,455	803,701	–	318,192	157,328	7,329,285	3,673,193
Unallocated liabilities									9,349,635	5,127,675
Total liabilities									16,678,920	8,800,868

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

32 SEGMENT INFORMATION (CONT'D)

Segment assets

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

Segment liabilities

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

Geographical information

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

Information about major customers

Revenue from one (2016: one) customer who individually contributed 10% or more of the Group's revenue amounted to USD12,857,715 (2016: USD10,591,330) and are attributable to the Production of film segment.

33 EVENTS AFTER THE BALANCE SHEET DATE

(a) On 22 December 2017, the Company entered into a share sale and purchase agreement ("SPA") with certain existing shareholders of the Company's 29.12% owned associated company, SMGL. Under the SPA, the Company shall purchase an aggregate of 920,000 common voting shares of SMGL at USD3 per share for a purchase consideration comprising newly issued ordinary shares of the Company with total value of USD2,760,000. Based on the issue price of SGD0.115, the aggregate number of new ordinary shares of the Company to be issued and allotted is 32,432,432. The SPA was completed in accordance with the terms and conditions of the SPA and the new shares were allotted and issued on 25 January 2018. Following the completion of the SPA, the Company's direct shareholding interest in SMGL became 32.13%. The Company's total effective shareholding interest in SMGL is 33.76%.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

33 EVENTS AFTER THE BALANCE SHEET DATE (CONT'D)

(b) On 22 December 2017, the Company entered into a sale and purchase agreement with the owner of Constellation Agency Pte. Ltd. ("Target Company") to acquire the entire issued and paid-up share capital (USD401,500 comprising of 1,900,000 ordinary shares) of the Target Company ("Proposed Acquisition") for a purchase consideration comprising newly issued ordinary shares of the Company with total value of SGD16,648,649. The Target Company is an independent third party. Based on the issue price of SGD0.115, the aggregate number of new ordinary shares of the Company to be issued and allotted is 144,770,861. The Proposed Acquisition was completed in accordance with the terms and conditions of the sale and purchase agreement on 25 January 2018. Subsequent to the completion of the Proposed Acquisition, the Target Company has become a direct wholly-owned subsidiary of the Company. The purchase price allocation exercise for the Target Company is ongoing and the initial accounting for the business combination is incomplete at the time the financial statements are authorised for issue.

The Proposed Acquisition is in line with the Group's strategy of leveraging on talent management platform to participate in content and also to invest in companies that can financially and strategically complement the Group's existing core operations. The proposed acquisition of Target Company will help the Group develop a more consistent and stable revenue and further diversify its business.

34 AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors dated 3 April 2018.

STATISTICS OF SHAREHOLDINGS

As at 15 March 2018

Issued and paid-up capital	:	S$70,304,324.49
Number of issued shares	:	694,372,809
Class of shares	:	Ordinary
Number of treasury shares	:	1,699,100
Voting rights	:	On a poll – 1 vote for each ordinary share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDING	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	6	0.29	194	0.00
100 – 1,000	27	1.32	15,800	0.00
1,001 – 10,000	203	9.90	1,547,200	0.22
10,001 – 1,000,000	1,766	86.15	231,130,634	33.29
1,000,001 and above	48	2.34	461,678,981	66.49
TOTAL	**2,050**	**100.00**	**694,372,809**	**100.00**

TWENTY THREE LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	UOB KAY HIAN PTE LTD	151,031,506	21.75
2	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	52,767,346	7.60
3	SMALLTALK PRODUCTION HOUSE PTE LTD	34,172,454	4.92
4	MADISON PARTNERS INTERNATIONAL LTD.	26,321,974	3.79
5	THE H FACTORY PTE. LTD.	25,821,975	3.72
6	RAFFLES NOMINEES (PTE) LTD	19,423,369	2.80
7	DBS NOMINEES PTE LTD	15,850,900	2.28
8	VAARA PTE LTD	14,403,710	2.07
9	MAYBANK KIM ENG SECURITIES PTE LTD	11,824,100	1.70
10	OCBC SECURITIES PRIVATE LTD	10,398,300	1.50
11	CELESTE PARTNERS PTE LTD	8,600,034	1.24
12	PHILLIP SECURITIES PTE LTD	8,474,100	1.22
13	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	6,770,300	0.98
14	BOON GEK PTE LTD	4,000,000	0.58
15	CHENG HWEI KENG	4,000,000	0.58
16	HENG SIEW ENG	3,530,000	0.51
17	JUNG SUK YOUNG	3,460,209	0.50
18	CITIBANK NOMINEES SINGAPORE PTE LTD	3,365,700	0.48
19	HO NYUK WENG	3,362,800	0.48
20	JOHN RHIE	3,290,247	0.47
21	JUNG INSUK	3,290,247	0.47
22	KINGSLAND INVESTMENT HOLDINGS LTD.	3,290,247	0.47
23	LEE KOON KOW JOSEPH	3,290,247	0.47
	TOTAL	420,739,765	60.58

STATISTICS OF SHAREHOLDINGS

As at 15 March 2018

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
NAME OF SHAREHOLDER	NO. OF SHARES	%	NO. OF SHARES	%
SPACKMAN EQUITIES GROUP INC.	148,971,000	21.51	–	–

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

On the basis of the information available to the Company as at 15 March 2018, approximately 74.65% 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, 26 April 2018 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 2017 together with the Auditors' Report thereon.

   (Resolution 1)

2. To re-elect Ms. Lee Yoo Jin ("**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 a 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. 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 re-elect Mr. Richard Lee ("**Mr. Lee**") who is retiring pursuant to the Company's Constitution and who, being eligible, offers himself for re-election.

   Mr. Lee will, upon re-election as a Director of the Company, remain as an Executive Director and Interim Chief Executive Officer of the Company.
   [See Explanatory Note (c)]

   (Resolution 4)

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

   Mr. Na will, upon re-election as a Director of the Company, remain as an Executive Director, Chief Financial Controller and joint Company Secretary of the Company.
   [See Explanatory Note (d)]

   (Resolution 5)

6. To approve the payment of Directors' fees of US$108,000 (2017: US$108,000) for the financial year ending 31 December 2018, to be paid quarterly in arrears.

   (Resolution 6)

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

   (Resolution 7)

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

NOTICE OF 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:

9. 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:

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

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) 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 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 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 and subsidiary holdings) (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 and subsidiary holdings) (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 and subsidiary holdings) shall be based on the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings) 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;

NOTICE OF ANNUAL GENERAL MEETING

(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;

(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 (e)] **(Resolution 8)**

10. 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 (f)] **(Resolution 9)**

11. 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 (excluding any treasury shares and subsidiary holdings) as at the date of passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares and subsidiary holdings that may be held by the Company from time to time);

"**Relevant Period**" means the period commencing from the date of passing of this Resolution and expiring on the date the next AGM is held or is required by law to be held, the date on which the buy-back of the Shares are carried out to the full extent mandated, or the date the said mandate is revoked or varied by the Shareholders of the Company in a general meeting, whichever is the earlier; and

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) not exceeding:

(i) in the case of a Market Purchase, 105% of the Average Closing Price; and

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

(iii) "**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) market days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase by the Company or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5)-day period;

(iv) "**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

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

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 (g)] **(Resolution 10)**

By Order of the Board

Mr. Richard Lee
Executive Director and Interim Chief Executive Officer
Singapore
11 April 2018

Explanatory Notes:

(a) Information on Ms. Eugene Lee can be found on page 23 of the annual report.

(b) Information on Mrs. Jessie Ho can be found on page 24 of the annual report.

(c) Information on Mr. Lee can be found on page 23 of the annual report.

(d) Information on Mr. Na can be found on page 24 of the annual report.

(e) The Resolution 8 in item 9, 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 8, 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 8 would not exceed one hundred per cent. (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time of passing of this Resolution 8. 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 and subsidiary holdings) at the time of passing of this Resolution 8.

(f) The Resolution 9 in item 10, 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.

(g) The Resolution 10 in item 11, if passed, will authorise the Directors of the Company, from the date of the annual general meeting until the next annual general meeting or the date by which the next annual general meeting of the Company is required by law to be held or when varied or revoked by the Company in general meeting, whichever is earlier, to purchase or acquire up to ten per cent. (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings), at prices up to but not exceeding the Maximum Price (as defined above), as at the date of the passing of this Resolution 10. Details the proposed renewal of the Share Buy Back Mandate are set out in the Appendix accompanying this annual report.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A member who is not a relevant intermediary# is entitled to appoint not more than two proxies to attend and vote in his/her behalf at the Annual General Meeting of the Company. A proxy need not be a member of the Company.

2. A member who is a relevant intermediary# is entitled to appoint more than two proxies to attend and vote at the Annual General Meeting of the Company. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services, either by hand or by post to 80 Robinson Road, #11-02 Singapore 068898, not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting of the Company in accordance with the instructions stated herein and in the instrument appointing a proxy or proxies.

   # Relevant intermediary means:

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

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   *(c) The Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation and CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with the subsidiary legislation.*

4. A depositor shall not be regarded as a member of the Company entitled to attend and vote at the Annual General Meeting of the Company unless his/her name appears on the Depository Register not less than seventy-two (72) hours before the time appointed for holding the Annual General Meeting of the Company.

Personal Data Privacy

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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SPACKMAN ENTERTAINMENT GROUP LIMITED
(Company Registration No. : 201401201N)
(Incorporated in the Republic of Singapore)

IMPORTANT:
1. Personal Data Privacy

   By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of the Annual General Meeting dated 11 April 2018.

2. Relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) may appoint more than two proxies to attend and vote at the AGM of the Company.

PROXY FORM
ANNUAL GENERAL MEETING

I/We _____

NRIC/Passport/Company Registration No.: _____ of _____

_____

being a member/members of Spackman Entertainment Group Limited (the "**Company**"), hereby appoint:

Name	Address	NRIC/ Passport No.	Number of Ordinary Shares	Proportion of shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Number of Ordinary Shares	Proportion of shareholdings (%)

or failing him/her, the Chairman of the Annual General Meeting (the "**AGM**"), as my/our proxy/proxies to attend and vote for me/us on my/our behalf, at the AGM of the Company to be held at Orchid Country Club, 1 Orchid Club Road, Sapphire I, Level 2, Singapore 769162 on Thursday, 26 April 2018 at 3.00 p.m., and at any adjournment thereof. I/we have indicated against the Resolutions set out in the Notice of the AGM and summarised below how I/we wish my/our proxy/proxies to vote. If no specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/her/their discretion.

	Ordinary Resolutions	Number of Votes For*	Number of Votes Against*
	Ordinary Business		
Resolution 1	To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2017 and the Auditor's Report thereon		
Resolution 2	To re-elect Ms. Lee Yoo Jin 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 re-elect Mr. Richard Lee as a Director of the Company		
Resolution 5	To re-elect Mr. Na Kyoungwon as a Director of the Company		
Resolution 6	To approve the payment of Directors' fees for the financial year ending 31 December 2018, to be paid quarterly in arrears		
Resolution 7	To re-appoint Messrs Baker Tilly TFW LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration		
	Special Business		
Resolution 8	To approve and authorise the Directors to allot and issue shares in the capital of the Company		
Resolution 9	To approve and authorise the Directors to allot and issue shares under the Spackman Entertainment Group Limited Employee Share Option Scheme		
Resolution 10	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 _____ 2018

Total Number of Ordinary Shares Held	
CDP Register	
Register of Members	

_____
Signature(s) of Member(s)/Common Seal

IMPORTANT. Please read notes overleaf

Notes:–

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares.

2. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

3. A corporation which is a member may appoint an authorised representative or representatives in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore to attend and vote for and on behalf of such corporation.

4. (a) A member of the Company who is not a relevant intermediary (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) is entitled to appoint not more than two proxies to attend and vote in his/her behalf at the AGM. A proxy need not be a member of the Company. Where such member's instrument appointing a proxy or proxies appoints more than one proxy, the proportion of his/her total number of shares concerned to be represented by each proxy shall be specified in the instrument appointing a proxy or proxies. If no proportion of shares is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares and any second named proxy as an alternate to the first named or at the Company's discretion to treat this instrument appointing a proxy or proxies as invalid.

   (b) A member of the Company who is a relevant intermediary (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) is entitled to appoint more than two proxies to attend and vote at the AGM. A proxy need not be a member of the Company. The relevant intermediary shall specify the number and class of shares to be represented by each proxy. If the number and class of shares are not specified, the instrument will be treated as invalid.

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Please
Affix
Postage
Here

SPACKMAN ENTERTAINMENT GROUP LIMITED
c/o The Share Registrar
Tricor Barbinder Share Registration Services
80 Robinson Road
#02-00
Singapore 068898

2nd fold here

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or signed on its behalf by an officer or attorney duly authorised in writing.

6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by the attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. The instrument appointing a proxy or proxies must be deposited at the office of the Company's share registrar, Tricor Barbinder Share Registration Services, either by hand or by post to 80 Robinson Road, #11-02 Singapore 068898, not less than forty-eight (48) hours before the time appointed for holding the AGM in accordance with the instructions stated.

8. An investor who buys shares using SRS monies ("SRS Investor") (as may be applicable) may attend and cast his/her vote(s) at the AGM in person. SRS Investors who are unable to attend the AGM but would like to vote, he/she may inform their SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the SRS Investors shall be precluded from attending and voting the AGM.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members whose Shares are deposited with The Central Depository (Pte) Limited, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

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spackmanentertainmentgroup

(Company Registration No.: 201401201N)
(Incorporated in the Republic of Singapore on 10 January 2014)

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Singapore 049318
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