spackmanentertainmentgroup

ANNUAL
REPORT
2019

CONTENTS

CORPORATE PROFILE

ABOUT SPACKMAN ENTERTAINMENT GROUP

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

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

Zip Cinema

SEGL's Zip Cinema Co., Ltd. ("**Zip Cinema**") is one of the most recognised film production labels in Korea and has originated and produced some of Korea's most commercially successful theatrical films, consecutively producing 10 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 *CRAZY ROMANCE* (2019), *DEFAULT* (2018), *MASTER* (2016), *THE PRIESTS* (2015), *COLD EYES* (2013), and *ALL ABOUT MY WIFE* (2012). For more information on Zip Cinema, do visit http://zipcine.com.

Take Pictures

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

Simplex Films

The Company owns a 100% equity interest in Simplex Films Limited ("**Simplex Films**") which is an early stage film production firm. Simplex Films has the following films in the pipeline namely, *A BOLT FROM THE BLUE, IRREVOCABLE PROMISE* and *OUR SUPERSTAR K*.

Novus Mediacorp

SEGL also owns Novus Mediacorp Co., Ltd. ("**Novus Mediacorp**"), an investor, presenter, and/or ancillary distributor for a total of 79 films (58 Korean and 21 foreign) including *ROSE OF BETRAYAL, 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 2018, *THE OUTLAWS*, co-presented by Novus Mediacorp broke the all-time highest VOD sales records in Korea. For more information on Novus Mediacorp, do visit http://novusmediacorp.com.

CORPORATE PROFILE

Frame Pictures

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

For more information on Frame Pictures, do visit http://framepictures.co.kr/.

Constellation Agency

The Company owns a 100% equity interest in Constellation Agency Pte. Ltd. ("**Constellation Agency**"). Constellation Agency, which owns The P Factory Co., Ltd. ("**The P Factory**") and Platform Media Group Co., Ltd. ("**PMG**"), is primarily involved in the business of overseas agency for Korean artists venturing into the overseas market.

The P Factory is an innovative marketing solutions provider specializing in event and branded content production. PMG is a talent management agency which represents and manages the careers of major artists in film, television, commercial endorsements and branded entertainment.

Greenlight Content

The Company owns a 100% equity interest in Greenlight Content Limited ("**Greenlight Content**") which is mainly involved in the business of investing into dramas and movies, as well as providing consulting services for the production of Korean content. The acquisition of Greenlight Content has allowed the Group to reinforce its foothold into the Korean drama sector. The Group's first co-produced drama *TERIUS BEHIND ME* was awarded "Drama of the Year" at the 2018 MBC Drama Awards.

Spackman Media Group

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

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

JOINT MESSAGE FROM NON-EXECUTIVE 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**"), we present to you our annual report for the financial year ended 31 December 2019 ("**FY2019**").

During the year, the Group acquired a new film production company, Simplex Films Limited ("**Simplex**") to expand and strengthen its film production capabilities. The Group's wholly-owned subsidiary, Zip Cinema Co., Ltd. ("**Zip Cinema**"), produced Korea's best romance film of 2019, *CRAZY ROMANCE*, which was sold to 22 countries including Singapore. With contribution from our indirect wholly-owned subsidiary, Studio Take Co. Ltd. ("**Studio Take**"), and The Makers Studio, which the Group has invested in, the Group intends to release at least three to four films in 2020.

Looking ahead, we shall explore film production and investment opportunities outside of Korea and continue to look into collaborative business other than film-making. By leveraging on the brand power of the artists under the Group's associated company, Spackman Media Group Limited ("**SMGL**"), we also plan to seek out potential drama partnerships, brand endorsements and other artist-related entertainment and content projects.

CONTINUE TO DELIVER QUALITY KOREAN FILMS

Following the success of the Korean financial thriller film, *DEFAULT*, Zip Cinema continued its track record of producing profitable films at an average rate of return of approximately 62%. Zip Cinema's latest released film, *CRAZY ROMANCE*, surpassed its break-even point of 1.5 million tickets within eight days, setting the record as the #1 romance film in Korea in 2019. Presented and distributed by Next Entertainment World, the romantic comedy movie starred veteran Korean actor, Kim Rae-won of *DOCTORS* (2016), and popular Korean actress, Gong Hyo-jin of *DON'T DARE TO DREAM* (2016). The estimated total production budget (including prints and advertising costs) for *CRAZY ROMANCE* was approximately KRW6.7 billion (or US$6.0 million).

Zip Cinema's upcoming blockbuster project, *#ALONE*, stars Korean actor Yoo Ah-in of SMGL, who was named as one of "**The Best Actors of 2018**" by The New York Times Group, and well-known Korean actress, Park Shin Hye of *MEMORIES OF THE ALHAMBRA* (2018). Based on an original scenario by Hollywood writer Matt Taylor, who produced the American documentary series, *SMALL BUSINESS REVOLUTION: MAIN STREET*, *#ALONE* relates the story of isolated survivors of a closed-off city that gets out of control as a consequence of a sudden spread of an unknown infection.

Distributed by Lotte Entertainment and directed by Jo Il Hyung, who was from the American Film Institute, *#ALONE* has completed filming and is at the post-production stage. The film is scheduled to be released by the end of 2020. The tentative total production budget (including prints and advertising costs) for *#ALONE* is set at KRW9.8 billion (or US$8.1 million).

Studio Take, which is founded by veteran movie producer Song Dae Chan, is expected to release its maiden production, a human drama film with the working title *STONE SKIPPING*, in Korea in 2020. The tentative total production budget (including prints and advertising costs) for *STONE SKIPPING* stands at KRW1.5 billion (or US$1.2 million). *STONE SKIPPING* was screened at the 23rd Busan International Film Festival in October 2018.

Studio Take's second production is an upcoming Korean film with the working title, *GUARDIAN*. The tentative total production budget (including prints and advertising costs) for *GUARDIAN* amounts to KRW10.5 billion (or US$8.6 million). The film is expected to be released in Korea in 2020 as well. With the production of *STONE SKIPPING* and *GUARDIAN*, Studio Take has started to contribute positively to the Group's film production capability.

JOINT MESSAGE FROM NON-EXECUTIVE CHAIRMAN & CEO

The Group had invested a 20% equity interest in The Makers Studio Co. Ltd., which plans to produce and release four upcoming films, the first of which will be *THE ISLAND OF THE GHOST'S WAIL*, a comedy horror film. The total tentative production budget (including prints and advertising costs) for *THE ISLAND OF THE GHOST'S WAIL* amounts to KRW 4.5 billion (or US$3.7 million). The film is slated to be released in 2020.

UPDATE ON CROSS-BORDER DRAMA PRODUCTION

The Group has signed a memorandum of understanding with Singapore's Mediacorp to co-produce a cross-border drama in April 2019. The Group is in the midst of re-adjusting the business model to maximize profits and the creative team is in the process of fine-tuning the script. We shall update as and when there are material developments in connection to the cross-border drama production with Mediacorp.

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

In view of the deteriorating market situation as a result of COVID-19, the Group intends to revisit and revise its plans to spin-off and list its post-theatrical and camera equipment leasing business accordingly. As the current COVID-19 situation continues to develop, we shall reconsider our options, continue to keep a close eye on our operations, and announce any material change in plans to shareholders timely, as and when appropriate.

LEVERAGING ON OUR TALENT MANAGEMENT BUSINESS

We shall continue to explore ways to utilize the strength of our talent management business in Southeast Asia where demand for quality Korean content is burgeoning. By capitalizing on the talent management platform of SMGL, which is collectively one of the largest entertainment talent agencies in Korea, we believe we shall be able to have the opportunity to participate into the highest quality entertainment content projects and invest into growing brands in consumer markets that can benefit from the association with Korean celebrities in the region. Our strategy is to be able to reap higher operating performance via a multitude of direct and indirect channels including production & investment return, artists fees and endorsement fees and collaborative businesses through the brand power of SMGL's artists.

SMGL, in which the Group has a shareholding of 44%, is still currently reviewing various options to finance future growth, including listing to maximize its potential value.

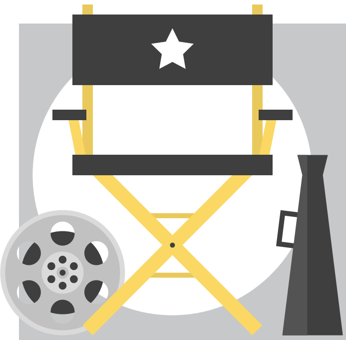
APPRECIATION

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

ANTHONY WONG
Non-executive & Independent Chairman

JOHN KO
Chief Executive Officer

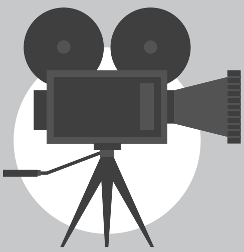
FINANCIAL HIGHLIGHTS



REVENUE
FY 2019
20.1M
21.7 M
FY 2018

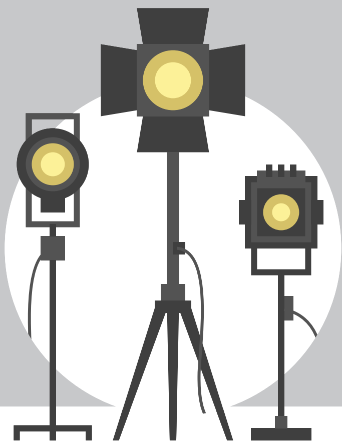
PROFIT/(LOSS)
FY 2019
(3.4)M
(1.7) M
FY 2018

SHAREHOLDERS' EQUITY
FY 2019
51.7M
54.1 M
FY 2018

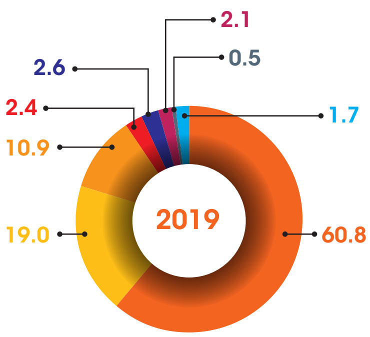


CURRENT RATIO
31 Dec 2019
1.4

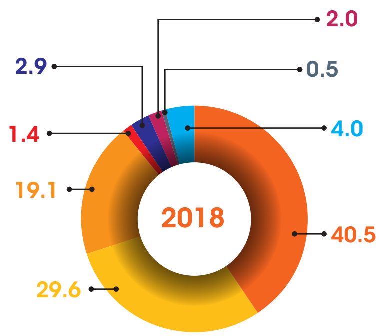
DEBT TO EQUITY
31 Dec 2019
0.4



REVENUE BREAKDOWN %



REVENUE BREAKDOWN %



- Production of films(1)
- Distribution of films and others(2)
- Leasing of equipment
- Photography
- Consulting services
- Sales of content
- Restaurant sales and café lounge business
- 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

spackmanentertainmentgroup

THEATRICAL FILM

- Zip Cinema is a leading film production label in Korea
- Take Pictures and Simplex Films are early stage motion production companies in Korea
- Participate in our own film projects as an investor, producer, presenter and distributor

DRAMA PRODUCTION

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

POST-THEATRICAL

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

CAMERA EQUIPMENT LEASING

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

TALENT MANAGEMENT

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

COLLABORATIVE BUSINESS

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

FILM BUSINESS MODEL

TOTAL BOX OFFICE REVENUE (100%)

(-MINUS)

THEATRE OPERATOR FEES (50%)

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

(-MINUS)

DISTRIBUTION FEE & MARKETING COSTS & PRESENTER FEE

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

(-MINUS)

TOTAL PRODUCTION BUDGET

Production Budget and P&A* Budget

(+PLUS)

ANCILLARY & INTERNATIONAL SALES

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

(=EQUAL)

NET PROFITS FROM REVENUE

PRODUCER RECEIVE 40% OF PROFITS

INVESTOR RECEIVE 60% OF PROFITS

* P&A: Prints and advertising

OUR THEATRICAL FILM BUSINESS

PRODUCER

- Originate & develop screenplay
- Procure screenwriters, directors, cast and crew
- Oversee & manage actual filming
- Manage post-production
- Develop marketing strategies for film
- License and/or sell films to overseas markets

PRESENTER

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

DISTRIBUTOR

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

INVESTOR

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

OPERATIONS AND FINANCIAL REVIEW

INCOME STATEMENT

REVENUE

Revenue decreased by 7% year-on-year ("**YoY**") to US$20.09 million in FY2019, mainly due to the following:

(i) decrease in distribution of films and others of US$3.06 million in FY2019 mainly due to lower sales of distribution rights/video on demand sales (the "**Post-Theatrical sales**") for the post-theatrical market in Korea for *LONG LIVE THE KING* of US$2.39 million and *MY FIRST CLIENT* of US$0.78 million in FY2019 as opposed to post-theatrical sales for the post-theatrical market in Korea for *THE OUTLAWS* (co-presented by the Company's 51%-owned subsidiary, Novus Mediacorp Co., Ltd. "**Novus**") of US$6.28 million in FY2018; and

(ii) decrease of US$1.94 million from leasing of equipment to third parties by Frame Pictures Co., Ltd. ("**Frame Pictures**").

The decrease was partially offset by an increase in revenue from production of films of US$3.43 million, mainly due to the following:

(i) recognition of the share of profit for acting as the producer for *DEFAULT* and *CRAZY ROMANCE* of US$1.91 million and US$1.58 million respectively in FY2019 as compared to the share of profit for acting as the producer for *DEFAULT* of US$0.83 million in FY2018; and

(ii) *GUARDIAN* (produced by the Company's wholly owned subsidiary, Studio Take Co., Ltd ("**Studio Take**") of US$1.11 million based on costs incurred relative to total expected costs in FY2019.

COST OF SALES

Cost of sales decreased by 4.5% YoY to US$13.28 million in FY2019, mainly due to a decrease of US$1.48 million from distribution of films and others in relation to absence of the copyright fee of *THE OUTLAWS* of US$4.54 million in FY2018, partially offset by the copyright fee of *LONG LIVE THE KING* and *MY FIRST CLIENT* of US$2.25 million and US$0.59 million incurred respectively in FY2019. Novus owns the distribution rights of *LONG LIVE THE KING* and *MY FIRST CLIENT* for the post-theatrical market in Korea.

OPERATIONS AND FINANCIAL REVIEW

The decrease was partially offset by an increase of US$0.81 million from production of films mainly due to higher production costs incurred in FY2019 for *#ALONE*, *CRAZY ROMANCE* and *GUARDIAN* of US$5.26 million, US$1.96 million and US$1.10 million respectively as compared to the production costs that were incurred in FY2018 for *DEFAULT*, *GOLDEN SLUMBER* and *CRAZY ROMANCE* of US$3.10 million, US$2.87 million and US$1.43 million respectively.

GROSS PROFIT

The Group recorded a lower gross profit of US$6.82 million in FY2019 as compared to a gross profit of US$7.77 million in FY2018 mainly due to the following:

(i) lower gross profit from leasing of equipment to third parties by Frame Pictures in FY2019 of US$1.25 million as opposed to US$3.23 million in FY2018; and

(ii) lower post-theatrical gross profit from *LONG LIVE THE KING* and *THE FIRST CLIENT* of US$0.14 million and US$0.19 million respectively in FY2019 as opposed to a gross profit of US$1.74 million from *THE OUTLAWS* in FY2018.

This was partially offset by an increase in gross profit from production of films mainly due to the recognition of share of profit for acting as the producer for *DEFAULT* and *CRAZY ROMANCE* of US$1.91 million and US$1.58 million respectively in FY2019 as compared to the share of profit for acting as the producer for *DEFAULT* and *MASTER* of US$0.83 million and US$0.29 million respectively in FY2018.

OTHER INCOME

Other income decreased by 31% YoY from US$0.64 million in FY2018 to US$0.44 million in 2019 mainly due to absence of a reversal of film obligation and production loan of US$0.17 million in FY2018.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses decreased by 13% YoY to US$7.00 million in FY2019, mainly due to lower operating costs which is in line with the lower revenue in FY2019.

OTHER EXPENSES

Other expenses increased by US$1.58 million to US$2.34 million in FY2019, mainly due to goodwill impairment for Frame Pictures and Greenlight Content Limited. ("**Greenlight Content**") of US$0.75 million and US$0.50 million respectively in FY2019.

SHARE OF RESULTS OF ASSOCIATE

The share of results of associate of a loss of US$0.20 million in FY2019 (FY2018: a loss of US$0.17 million) was mainly attributable to the loss from Spackman Media Group Limited ("**SMGL**") of US$0.19 million due to the occasional seasonality of the artists' content projects performed. There were lesser major entertainment content projects that were recognised over the contractual period in FY2019.

TAX EXPENSE

The Group recorded tax expense of US$0.35 million in FY2019 (FY2018: US$0.32 million) mainly due to taxable earnings generated by Zip Cinema Co., Ltd. ("**Zip Cinema**") in FY2019. Taxable earnings generated by Zip Cinema in FY2019 was mainly attributable to the recognition of share of profit for acting as the producer for *DEFAULT* and *CRAZY ROMANCE* of US$1.91 million and US$1.58 million respectively.

LOSS BEFORE TAX

As a result of the above, the Group recorded a loss before tax of US$3.09 million in FY2019 as compared to a loss before tax of US$1.40 million in FY2018.

FINANCIAL POSITION

NON-CURRENT ASSETS

The Group's non-current assets amounted to US$52.51 million as at 31 December 2019. The increase in non-current assets from US$51.33 million as at 31 December 2018 was mainly due to:

(i) increase in intangible assets of US$0.18 million mainly attributable to provisional goodwill of US$1.44 million arising from the acquisition of Simplex Films Limited ("**Simplex**") and was partially offset by goodwill impairment for Frame Pictures and Greenlight Content of US$0.75 million and US$0.50 million respectively in FY2019;

(ii) increase in ROU assets by US$1.50 million following the adoption of SFRS(I) 16 Leases on 1 January 2019; and

(iii) increase in film production inventories of US$0.64 million mainly due to the acquisition of Simplex which contributed US$0.39 million.

OPERATIONS AND FINANCIAL REVIEW

The increase is partially offset by the following:

(i) decrease in investment in associated company of US$0.45 million mainly attributable to the share of losses of US$0.30 million from SMGL;

(ii) decrease in property, plant and equipment (excluding right-of-use assets) of US$0.45 million mainly attributable to the depreciation charged during the year.

CURRENT ASSETS

The Group's current assets amounted to US$17.61 million as at 31 December 2019. The increase in current assets from US$16.22 million as at 31 December 2018 was mainly due to:

(i) increase in cash and cash equivalents of US$1.47 million, mainly due to the reasons as explained under the discussion for the "Consolidated Statement of Cash Flow" below; and

(ii) increase in trade and other receivables of US$0.67 million, mainly due to an increase in advance payment of US$0.72 million in relation to film and TV drama projects.

NON-CURRENT LIABILITIES

The Group's non-current liabilities amounted to US$5.56 million as at 31 December 2019. The slight increase in non-current liabilities from US$5.33 million as at 31 December 2018 was mainly due to an increase in contract liabilities by US$0.23 million in relation to advance received for future production of movies. The increase was partially offset by a decrease in borrowings of US$0.48 million mainly attributable to reclassifications to short-term borrowings.

CURRENT LIABILITIES

The Group's current liabilities amounted to US$12.85 million as at 31 December 2019. The increase in current liabilities from US$8.09 million as at 31 December 2018 was mainly due to an increase in borrowings of US$4.05 million for the purpose of working capital and following the adoption of SFRS (I) 16 Leases, increase in trade and other payables of US$1.15 million mainly in relation to costs payable to copyright supplier of *THE OUTLAWS* of US$0.14 million and costs payable to KTH Corp., investor of *GUARDIAN* (produced by Studio Take) of US$0.62 million, and the acquisition of Simplex which contributed US$0.15 million.

CASHFLOW

As at 31 December 2019, the Group had cash and cash equivalents amounting to US$4.21 million as compared to cash and cash equivalents amounting to US$2.74 million as at 31 December 2018.

The significant cash movements during FY2019 as compared to FY2018 can be summarised as follows:

Cash flow generated from operating activities for FY2019 amounted to US$2.25 million as compared to cash used in operating activities of US$0.62 million for FY2018. The cash flow generated from operating activities for FY2019 was mainly due to operating profit before working capital changes of US$1.55 million, an increase in payables and contract liabilities of US$1.04 million, increase in inventories and copyrights of US$0.18 million, and partially offset by an increase in receivables and contract assets of US$0.95 million and income tax paid of US$0.41 million.

Cash flow used in investing activities for FY2019 was US$1.14 million as compared to cash flow used in investing activities of US$1.96 million for FY2018. The cash flow used in investing activities for FY2019 was mainly due to purchase of property, plant and equipment of US$0.64 million, short term loans granted of US$3.12 million and purchase of investment of US$2.22 million, and partially offset by collection of short-term loans of US$2.93 million and proceeds from disposal of investments of US$2.14 million mainly attributable to the proceeds from the investment in television drama project *TERIUS BEHIND ME* by Greenlight Content of US$1.69 million.

Cash flow generated from financing activities was US$0.29 million for FY2019 as compared to cash flow used in financing activities of US$0.75 million for FY2018. The cash generated from financing activities in FY2019 was mainly due to proceeds from borrowings of US$5.31 million for working capital purpose, and partially offset by repayment of borrowings of US$3.31 million, repayment of lease liabilities of US$1.52 million and interest paid of US$0.29 million.

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

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]

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**")

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

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

SMGPL acquired additional 10.1% stake in Delmedia

SEPTEMBER
SMGPL acquired 51.0% of Breakfastfilm

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

Proposed Share Swap of SMGPL[1]

2016

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

MASTER commenced filming

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

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

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

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

LIFE RISKING ROMANCE released in Korea on 14 Dec 2016

MASTER released in Korea on 21 Dec 2016

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

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

MASTER surpassed Breakeven Point of 3.7 Million Tickets in 8 days

2017

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

FEBRUARY
GOLDEN SLUMBER, produced by Zip Cinema, commenced filming

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

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

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

KEY MILESTONES

MARCH (cont'd)

Completion of share swap between Group and certain existing shareholders of SMGL

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

MAY

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

AUGUST

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

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

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

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

OCTOBER

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

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

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

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

NOVEMBER

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

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

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

DECEMBER

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

2018

JANUARY

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

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

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

FEBRUARY

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

Group announced plans to fund artist and content projects via cryptocurrency

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

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

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

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

Group swung to profitability for FY2017

MARCH

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

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

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

APRIL

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

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

KEY MILESTONES

APRIL (cont'd)

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

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

Group engaged RHT capital for listing novusmediacorp and Frame Pictures into a separate entity on the catalist of the SGX

MAY

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

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

JUNE

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

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

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

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

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

JULY

Novus Mediacorp, owns post-theatrical rights of upcoming comedy film, *ROSE OF BETRAYAL*, expected to be released in Korea in October 2018

AUGUST

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

SEPTEMBER

Leading top-tier Korean actress Son Ye-jin of MS Team, wholly-owned by Spackman Media Group, stars in crime thriller *NEGOTIATION*, released on 19 September 2018

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

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

Spackman Entertainment Group's upcoming film, *DEFAULT*, starring Yoo Ah-in of Spackman Media Group, set to release in Korea on 28 November 2018

OCTOBER

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

NOVEMBER

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

Group's upcoming film, *DEFAULT*, starring Yoo Ah-in of Spackman Media Group, presold to 17 countries

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

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

DECEMBER

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

Group's Film, *DEFAULT*, surpasses 1.5 million tickets within four days and secures over 40% of the market share, recording the highest November opening in the Korean box office history

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

Group's Film, *DEFAULT*, grosses US$20 Million in box office revenue, surpassing break-even point of 2.6 million tickets within 12 days

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

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

KEY MILESTONES

2019

JANUARY

Group's upcoming film, *CRAZY ROMANCE*, produced by Zip Cinema, commences filming and set to premiere in Korea In 2019

MARCH

Group's upcoming film, *CRAZY ROMANCE*, produced by Zip Cinema, completed filming and set to release in Korea in 2019

APRIL

Mediacorp and Spackman Entertainment Group first-ever co-production to bring together powerful storytelling, talent and mix of familiar and fresh faces from Korea And Singapore

JULY

Group's new film with the working title, *ALONE*, starring Yoo Ah-in of Spackman Media Group and Park Shin-hye to commence filming in the second half of 2019

Group acquires Korean film company, Simplex Films

AUGUST

Group's upcoming film, *CRAZY ROMANCE*, produced by Zip Cinema, confirmed to open in early October 2019 In Korea

Group's film, *JESTERS: THE GAME CHANGERS*, produced by Simplex Films, opens #3 at the Korean box office

Iconic Korean actress Son Ye-jin of MS Team, under Spackman Media Group, starts filming For tvN's K-drama *CRASH LANDING ON YOU*

Rising Korean star Wi Ha-joon of MS Team, under Spackman Media Group, a wholly-owned subsidiary of the Group, confirmed to star in Korean crime thriller film, *MIDNIGHT*

OCTOBER

Korean Actress, Ko Sung-hee, signs exclusive contract with MS Team of Spackman Media Group

Group's New Film, *CRAZY ROMANCE*, produced By Zip Cinema, Opens #2 At The Korean Box Office, After The US Film, *JOKER*, On The First Day Of Release

CRAZY ROMANCE, produced by Zip Cinema, breaks the 1 million ticket sales mark within five days

CRAZY ROMANCE, produced by Zip Cinema, ranked as Korea's Best Romance Film of The Year, to debut in 22 countries including Singapore

CRAZY ROMANCE, produced by Zip Cinema, surpasses break-even point of 1.5 million tickets within eight days, as Korea's Best Romance Film of 2019

CRAZY ROMANCE, produced by Zip Cinema, crosses the 2 million audience mark at the Korean box office

NOVEMBER

Group enters into memorandum of understanding with Korean strategic partner for the proposed partnership in entertainment-related business and investment

DECEMBER

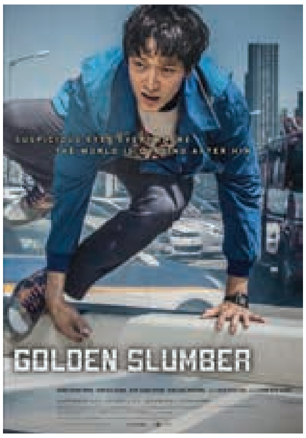
tvN's K-Drama *CRASH LANDING ON YOU*, starring Korean megastar Son Ye-jin of MS Team, under Spackman Media Group, ranked #1 at its weekend debut

PORTFOLIO OF ZIP CINEMA

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

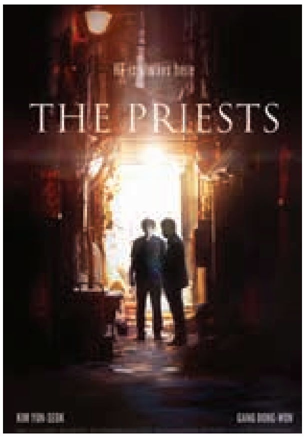
CRAZY ROMANCE
2 OCTOBER 2019

DEFAULT
28 NOVEMBER 2018



GOLDEN SLUMBER
14 FEBRUARY 2018

MASTER
21 DECEMBER 2016



THE PRIESTS
5 NOVEMBER 2015

MY BRILLIANT LIFE
3 SEPTEMBER 2014

COLD EYES
3 JULY 2013

ALL ABOUT MY WIFE
17 MAY 2012

HAUNTERS
10 NOVEMBER 2010

WOOCHI
23 DECEMBER 2009

CLOSER TO HEAVEN
24 SEPTEMBER 2009

ABOUT ZIP CINEMA

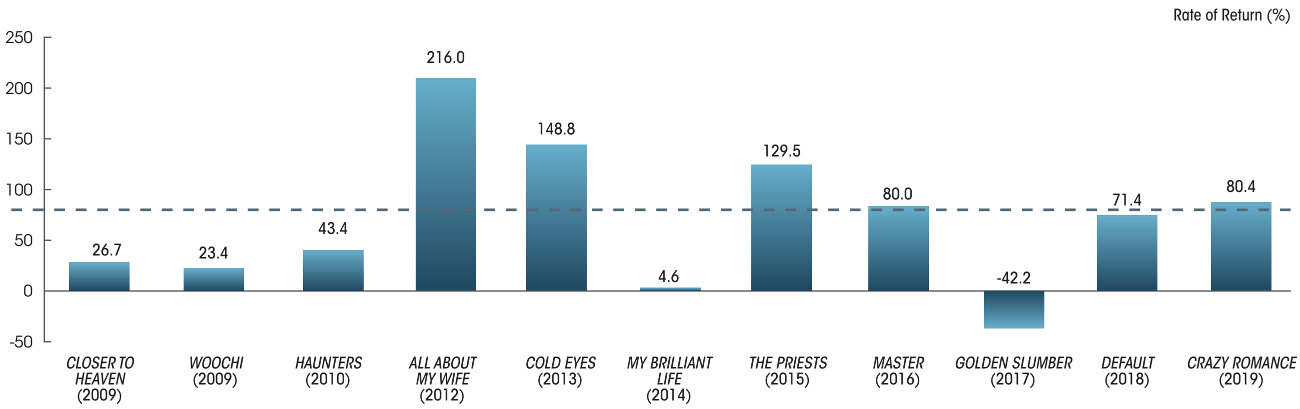
Zip Cinema Co., Ltd. ("**Zip Cinema**"), a wholly-owned subsidiary of SEGL, is a Korean movie production firm founded by veteran film producer Eugene Lee, who was named in 2007 as one of the world's "10 Producers to Watch" by Variety, the leading Hollywood trade journal. The company was incorporated 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 14 theatrical films to date, including *CRAZY ROMANCE* (2019) which collected 2.9 million tickets and grossed KRW 24.9 billion in Korea, *DEFAULT* (2018), which recorded 3.7 million tickets and grossed KRW 31.0 billion in Korea, *MASTER* (2016), which sold over 7.0 million tickets and grossed KRW 58.0 billion in Korea, *THE PRIESTS* (2015), which recorded 5.4 million tickets and grossed KRW 42.4 billion in Korea, *WOOCHI* (2009), which sold 6.1 million tickets at the Korean box office and grossed over KRW 44.0 billion, and *HAUNTERS* (2010) which sold 2.1 million tickets and grossed KRW 15.4 billion in Korea.

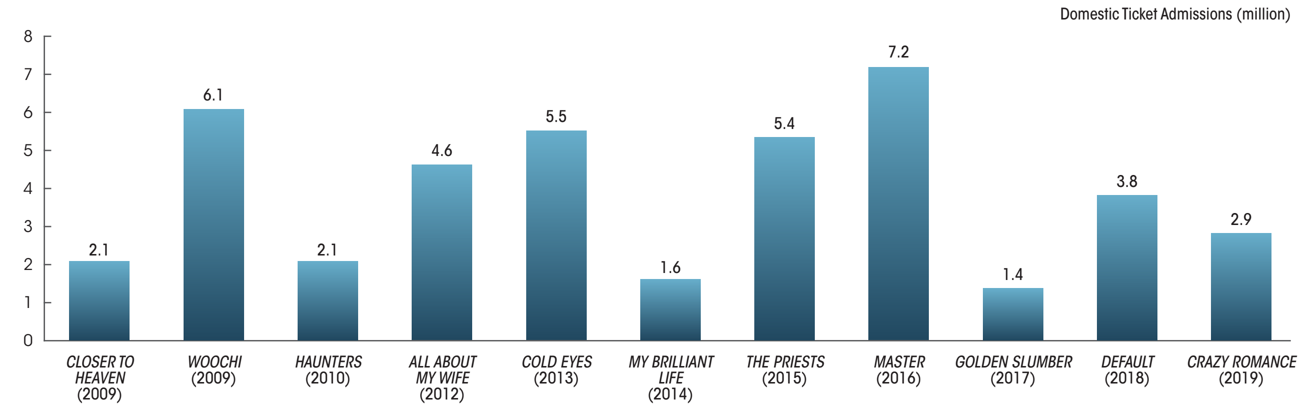
On May 17, 2012, *ALL ABOUT MY WIFE*, a romantic comedy produced by Zip Cinema, opened #1 at the Korean box office. With a total budget of approximately KRW 5 billion (including P&A), *ALL ABOUT MY WIFE*, directed by Min Gyoo-dong and featuring top Korean stars, Im Soo-jeong, Lee Seon-gyoon, and Ryoo Seung-yong, sold 5 million tickets and grossed KRW 34 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 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 6 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.

AVERAGE RATE OF RETURN OF ZIP CINEMA: 62%



TOTAL DOMESTIC TICKET ADMISSIONS: 43 MILLION



ABOUT ZIP CINEMA

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.

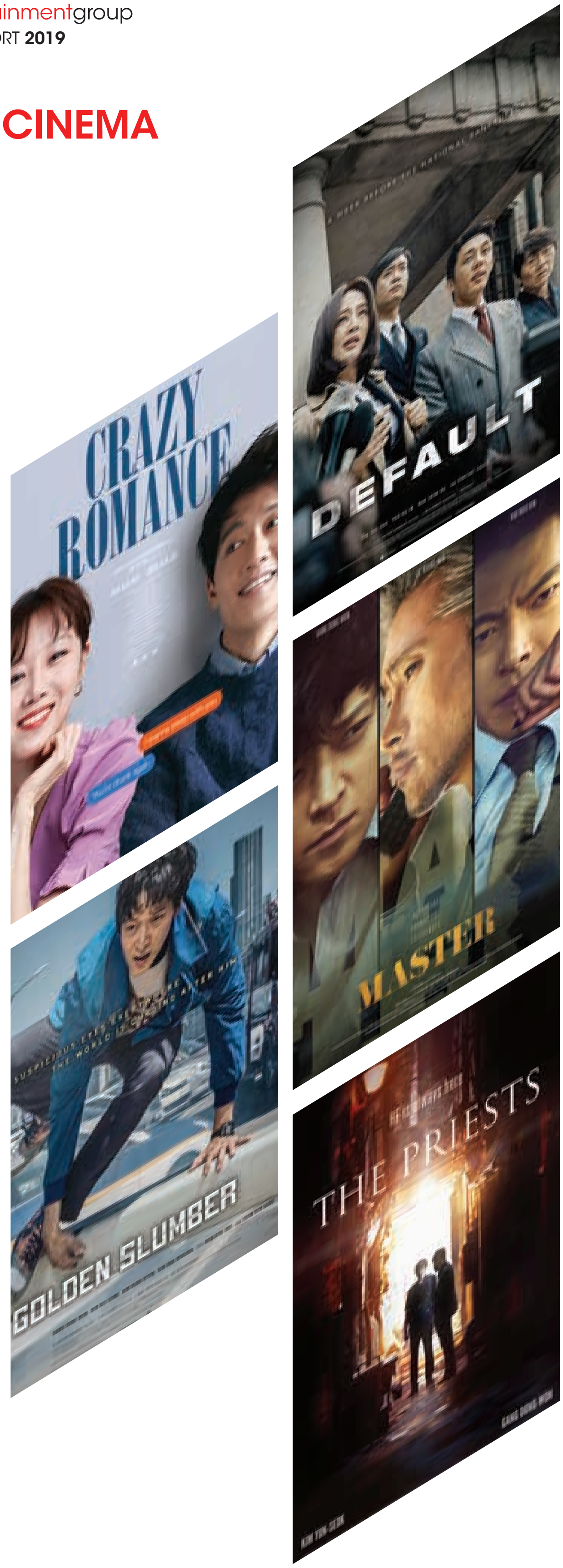
On 21 December 2016, Zip Cinema's *MASTER*, starring Lee Byung-hun, Kim Woo-bin and Gang Dong-won, opened #1 at the Korean box office with the highest December opening in history. *MASTER* recorded total gross box office receipts of KRW 58 billion and ticket admissions of more than 7 million in Korea.

On 14 February 2017, 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.

On 28 November 2018, Zip Cinema's *DEFAULT*, starring Yoo Ah-in of Spackman Media Group, Kim Hye-soo and Vincent Cassel opened #1 at the Korean box office and captured 40% of the Korean box office.

On 3 October 2019, Zip Cinema's *CRAZY ROMANCE*, featuring Kim Rae-won and Gong Hyo-jin, opened #2 at the Korean box office, after the US film, *JOKER*, on the first day of its release. The film surpassed its break-even point within eight days, as Korea's best romance of 2019.

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



ABOUT NOVUS MEDIACORP

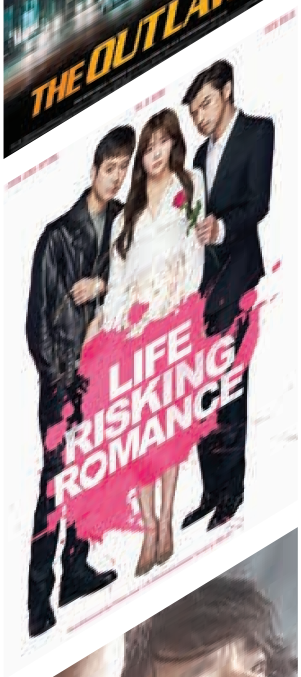
Novus Mediacorp Co., Ltd. ("**Novus Mediacorp**"), a 51% subsidiary of SEGL, is a renowned investor, presenter, and ancillary distributor for Korean theatrical films. Since 2009, Novus Mediacorp was the investor, presenter, and/or ancillary distributor for a total of 79 films (58 Korean and 21 foreign) 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.

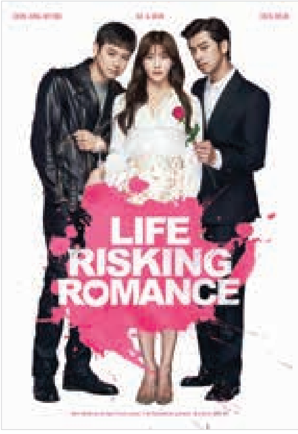
For more information on Novus Mediacorp, do visit http://novusmediacorp.com.



PORTFOLIO OF NOVUS MEDIACORP

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

THE OUTLAWS
2017



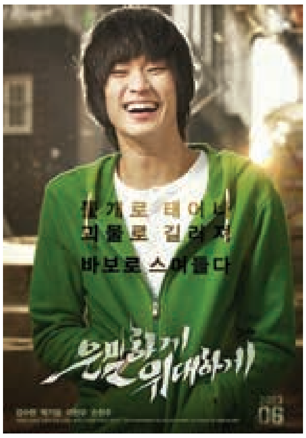
LIFE RISKING ROMANCE
2016

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

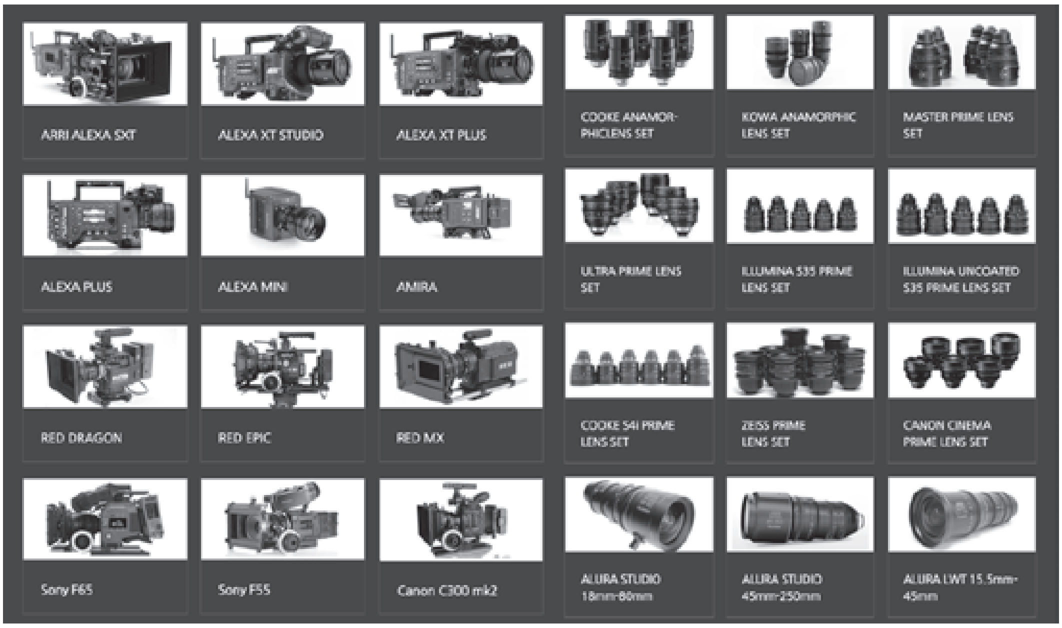
ALWAYS
2011

BLADES OF BLOOD
2010

ABOUT FRAME PICTURES

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

CAMERA PORTFOLIO OF FRAME PICTURES



STRATEGY AND FUTURE PLANS

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

FILM PRODUCTION

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

TALENT MANAGEMENT

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

DRAMA PRODUCTION

- Launched entry into drama production business starting with the co-production of *TERIUS BEHIND ME*, starring So Ji Sub
- To co-produce first-ever cross-border drama with Mediacorp

ACQUISITION

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

COLLABORATIVE BUSINESS

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

SECTOR OUTLOOK KOREAN MOTION PICTURE INDUSTRY

THE KOREAN MOTION PICTURE INDUSTRY
OVERVIEW

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Ticket Admissions Nationwide (million)	69.3	123.4	144.3	152.0	147.4	155.4	147.8	159.7	194.9	213.3	215.1	217.3	217.0	219.9	216.4	226.7
YOY Growth Rate (%)		78.1	16.9	5.3	-3	5.4	-4.9	8.1	22	9.4	0.8	1	-0.1	1.3	-1.6	4.8
Admissions for Domestic Films (million)	37.7	71.3	91.7	75.8	62	75.6	68.8	82.9	114.6	127.3	107.7	112.9	116.6	113.9	110.1	115.6
Admissions for Foreign Films (million)	31.5	52	52.5	76.2	85.4	79.8	78.9	76.9	80.3	86.1	107.4	104.4	100.5	106	106	111.1
Market Share of Domestic Film (%)	54.5	57.8	63.6	49.9	42.1	48.7	46.6	51.9	58.8	59.7	50.1	52.0	53.7	51.8	50.9	51.0
Market Share of Foreign Film (%)	45.5	42.2	36.4	50.1	57.9	51.3	53.4	48.1	41.2	40.3	49.9	48.0	46.3	48.2	49.1	49.0
Admissions per Capita	2.78	2.98	3.13	3.22	3.04	3.15	2.92	3.15	3.83	4.17	4.19	4.22	4.30	4.31	4.24	4.45
Domestic Films	1.52	1.72	1.99	1.61	1.28	1.53	1.36	1.63	2.25	2.49	2.10	2.19	2.31	2.23	2.16	2.27
Foreign Films	1.26	1.26	1.14	1.61	1.76	1.62	1.56	1.52	1.58	1.68	2.09	2.03	1.99	2.08	2.08	2.18
Gross Box Office Revenue (KRW billion)	440.7	780.3	892.4	965.5	961.5	1,083.2	1,157.3	1,235.8	1,455.1	1,551.4	1,664.2	1,715.5	1,743.2	1,756.6	1,814.0	1,914.0
YOY Growth Rate (%)		77.1	14.4	8.2	-0.4	12.7	6.8	6.8	17.7	6.6	7.3	3.1	1.6	0.80	3.27	5.51
Korean Box Office Revenue (KRW billion)	239.1	451.7	568.1	479.9	407.3	526.5	508.4	613.7	836.1	909.9	820.6	879.7	928.0	902.7	912.7	970.8
YOY Growth Rate (%)		88.9	25.8	-15.5	-15.1	29.3	-3.4	20.7	36.2	8.8	-9.8	7.2	5.5	-2.7	1.1	6.4
Foreign Box Office Revenue (KRW billion)	201.6	328.7	324.4	485.6	554.1	556.7	648.8	622.1	619	641.4	843.6	835.8	815.2	853.9	901.2	943.2
YOY Growth Rate (%)		63.0	-1.3	49.7	14.1	0.5	16.5	-4.1	-0.5	3.6	31.5	-0.9	-2.5	4.7	5.5	4.7
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	7,988.97	8,383.03	8,443.62
Number of Screens (nationwide)	1,451	1,648	1,880	1,975	2,004	2,055	2,003	1,974	2,081	2,184	2,281	2,571	2,642	2,859	3,017	3,166.0
Number of Theatres (nationwide)	302	301	321	314	309	305	301	292	314	333	356	433	451	495	528	556.0
Number of Seats (nationwide)	297,584	322,110	354,691	365,034	362,657	360,796	349,640	341,905	358,659	349,669	372,361	413,704	431,822	454,767	466,002	486,664

Source: Korean Film Council; Ministry of Culture, Sports and Tourism, Republic of Korea as of February 2019

GROUP STRUCTURE

Notes:

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

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

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

BOARD OF DIRECTORS

ANTHONY WONG
Non-Executive & Independent Chairman

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

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

KAY NA
Chief Operating Officer, President and Executive Director

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

YOO JIN LEE
Executive Director and Chief Producer

Ms. Eugene Lee is the Executive Director and Chief Producer of Spackman Entertainment Group Limited. She is the founder, chief executive officer and head producer of Zip Cinema. Since founding Zip Cinema in 2006, Ms. Lee has produced and released fourteen 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), *GOLDEN SLUMBER* (2017), *DEFAULT* (2018) and *CRAZY ROMANCE* (2019).

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

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

BOARD OF DIRECTORS

RICHARD LEE
Non-executive Director

Mr. Lee is the Non-executive Director of Spackman Entertainment Group Limited. He was previously the interim Chief Executive Officer from January 2018 to February 2019. Mr. Lee provides direction, guidance and advice to the Group for new business ventures and M&As. He is also Chairman and Chief Executive Officer of Spackman Equities Group Inc., Executive Director of Spackman Media Group Limited, 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.

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

JOHN KO
Chief Executive Officer

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

KAY NA
Chief Operating Officer, President and Executive Director

Profile as disclosed under Board of Directors

EUGENE LEE
Executive Director and Chief Producer

Profile as disclosed under Board of Directors

JASMINE LEONG
General Manager & Head of Investor Relations

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

NG SIEW LING
Group Financial Controller

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

CORPORATE INFORMATION

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

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

NOMINATING COMMITTEE
Jessie Ho (Chairman)
Anthony Wong
Kay Na

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

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

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

PRINCIPAL PLACE OF BUSINESS

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

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

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

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

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

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

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

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

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

DISCLOSURE TABLE FOR ANNUAL REPORT IN COMPLIANCE TO THE CODE OF CORPORATE GOVERNANCE 2018 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 2019 ("**FY2019**"), with specific reference made to the principles of the Code of Corporate Governance issued on 6 August 2018 (the "**Code**") and the disclosure guide as set out in the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "Catalist Rules") [the "**Guide**"].

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
General	Compliance with the principles and guidelines of 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. The Company did not adopt any alternative corporate governance practices in FY2019.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td colspan="3">BOARD MATTERS</td></tr>
<tr><td colspan="3"><u>The Board's Conduct of Affair</u></td></tr>
<tr><td>1.1</td><td>Principle duties of the Board</td><td>
The Board currently has 6 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><td>Name of Director</td><td>Designation</td><td>ARMC(1)</td><td>NC(2)</td><td>RC(3)</td></tr>
<tr><td>Anthony Wei Kit Wong ("Anthony Wong")</td><td>Non-executive Chairman and Independent Director</td><td>C</td><td>M</td><td>M</td></tr>
<tr><td>Na Kyoungwon(4) ("Kay Na")</td><td>Executive Director and Chief Operating Officer ("COO") and President</td><td>–</td><td>M</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>Richard Lee(5)</td><td>Non-executive and Non Independent Director</td><td>–</td><td>–</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 Na Kyoungwon was re-designated from Chief Financial Officer to Chief Operating Officer and President with effect from 20 February 2019. He will continue to assume the role of Executive Director of the Company.
(5) Mr Richard Lee resigned as Interim Chief Executive Officer with effect from 20 January 2019 and re-designated from Executive Director to Non-executive Non-Independent Director of the Company with effect from 20 February 2019.
</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		All directors recognise that they have to discharge their duties and responsibilities at all times as fiduciaries in the interest of the Company and hold Management accountable for performance and the Board is accountable to shareholders through effective governance of the business. The Board has put in place a Code of Conduct to guide employee's compliance with internal controls, policies and procedures of the Group, and to guide their observance of ethics and integrity in the day-to-day conduct of the Group's business. The Board is entrusted to lead and oversee the Company, with the fundamental principle to act in the best interest of the Company. Any director facing a conflict of interests will recuse himself from discussion involving the issue of conflict. 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 and monitor the reporting of 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.
1.2	Continuous Training for Directors and Orientation for Incoming Director	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 would visit the Group's operational facilities and meet with key management personnel of the Group. No new Directors were appointed to the Board in FY 2019. 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.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		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 FY2019 include: • Briefing by the external auditors ("**EA**") to the ARMC on changes/ amendments to accounting standards; and • Briefing by DMS Corporate Services Pte. Ltd., the corporate secretarial agent to the Board on the changes to Listing Manual (Section B: Rules of Catalist) of SGX-ST and Code of Governance 2018.
1.3	Matters requiring Board's approval	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; • material interested person transactions of the Group.
1.4	Delegation of Authority to Board Committees	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>1.5</td><td>Meeting of Board and Board Committees</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 FY2019 are shown below:

<table>
<tr><th colspan="5">Table 1.5 – Board and Board Committee Meetings in FY2019</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><td>Name of Director</td><td colspan="4">Number of Meetings Attended</td></tr>
<tr><td>Anthony Wong</td><td>4/4</td><td>4/4</td><td>1/1</td><td>1/1</td></tr>
<tr><td>Richard Lee</td><td>3/4</td><td>NA</td><td>NA</td><td>NA</td></tr>
<tr><td>Kay Na</td><td>4/4</td><td>NA</td><td>1/1</td><td>NA</td></tr>
<tr><td>Eugene Lee</td><td>2/4</td><td>NA</td><td>NA</td><td>NA</td></tr>
<tr><td>Jung Suk Young[(1)]</td><td>NA</td><td>NA</td><td>NA</td><td>NA</td></tr>
<tr><td>Jessie Ho</td><td>4/4</td><td>4/4</td><td>1/1</td><td>1/1</td></tr>
<tr><td>Ng Hong Whee</td><td>4/4</td><td>4/4</td><td>NA</td><td>1/1</td></tr>
</table>

NA – Not applicable, as the Directors are non-members of the Board Committees.

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

The Company's Constitution allows for meetings to be held through telephone and/or video-conference.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
1.6	Provision of Information to the Board and Board Committee	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 1.6 – Types of information provided by key management personnel to Independent Directors

	Information	Frequency
1.	Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)	Quarterly, and when necessary
2.	Updates to the Group's operations and the markets in which the Group operates in	Quarterly
3.	Budgets and/or forecasts (with variance analysis)	Quarterly
4.	Management accounts	Quarterly, and when necessary
5.	Reports on on-going or planned corporate actions	Quarterly, and when necessary
6.	EA report(s) and Internal auditors' ("**IA**") report(s)	Annually
7.	Research report(s) and media article(s)	As and 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.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
1.7	Access to Management, Company Secretary, and Independent Professional Advice	All Directors have separate and independent access to Management and 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 adviser at the Company's expense as and when required. Professional advisers may be invited to advise the Board, or any of its members, if the Board or any individual member thereof needs independent professional advice.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Board Composition and Guidance		
2.1 2.2 2.3 and 4.5	Board Composition and Degree of Independence of the Board	There is a strong and independent element on the Board, with independent directors making up half of the Board, including the Chairman of the Board. The non-executive directors make up a majority of the Board. As at the date of this annual report, the Board has six (6) directors (each a "Director" and collectively the "Directors"), which comprises two (2) Executive Director, there (3) Independent and Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The Independent Directors have no relationship with the Company, its related corporations, its substantial shareholders or officers that could interfere, or be reasonably perceived to interfere, with the Directors' independent business judgement in the best interests of the Company. 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.
2.4	Composition and Size of the Board	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. 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 and age diversity.

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 current Board composition provides a diversity of skills, experience, gender and knowledge to the Company as follows:
<table>
<tr><th colspan="3">Table 2.4 – Balance and Diversity of the Board</th></tr>
<tr><th></th><th>Number of Directors</th><th>Proportion of Board</th></tr>
<tr><td>Core Competencies</td><td></td><td></td></tr>
<tr><td>– Accounting or finance</td><td>4</td><td>67%</td></tr>
<tr><td>– Business management</td><td>6</td><td>100%</td></tr>
<tr><td>– Legal or corporate governance</td><td>2</td><td>33%</td></tr>
<tr><td>– Relevant industry knowledge or experience</td><td>3</td><td>50%</td></tr>
<tr><td>– Strategic planning experience</td><td>6</td><td>100%</td></tr>
<tr><td>– Customer based experience or knowledge</td><td>2</td><td>33%</td></tr>
<tr><td>Gender</td><td></td><td></td></tr>
<tr><td>– Male</td><td>4</td><td>67%</td></tr>
<tr><td>– Female</td><td>2</td><td>33%</td></tr>
</table>
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.
</td></tr>
<tr><td>2.5</td><td>Meeting without the presence of Management</td><td>
Led by the Lead Independent Director, the Non-Executive Directors and Independent 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 and Independent Directors have met once in the absence of key management personnel in February 2019.
</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Chairman and Chief Executive Officer		
3.1 3.2	Role and Responsibility of Chairman and CEO	The roles of Chairman and CEO are handled by two separate persons and the duties are segregated. Chairman of the Board, Mr Anthony Wong is a Non-Executive and Independent Director. As part of his duties, the Chairman also ensures that Board meetings are held when necessary and sets the Board meeting agenda in consultation with the CEO, acting as facilitator at Board meetings and maintaining regular dialogue with the Management on all operational matters. In addition, the Chairman ensures that Board members are provided with complete, adequate and timely information, facilitates the effective contribution of Non-Executive Directors, ensures there is effective communication with shareholders and promotes high standards of corporate governance. As Chairman, he ensures that Board meeting are held when necessary and sets the board meeting agenda. Mr Ko Jihwan who was appointed as CEO of the Company in place of Mr Richard Lee, Interim CEO of the Company with effect from 20 February 2019 assumes executive responsibilities of the overall business and operational decisions of the Company.
3.3	Lead Independent Director	Ms. Jessie Ho has been appointed as the Lead Independent Director. She is available to shareholders where they have concerns or issues and for which communication with the Company's Chairman or Management has failed to resolve or where such communication is inappropriate.
Board Membership		
4.1	Role and Terms of Reference of 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;

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		(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 Chief 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.
4.2	Composition of NC	The NC comprises of one (1) Executive Director and two (2) Non-Executive Independent Director. Accordingly, majority of NC, including the Chairman of the NC is independent.

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 rowspan="2">4.3</td><td rowspan="2">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 4.3(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>
</td></tr>
<tr><td>
<table>
<tr><th colspan="3">Table 4.3(b) – Process for the Re-electing 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

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
4.4	Determining Director's Independence	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 on an annual basis. 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 2020 and is satisfied that the Independent Directors are able to act with independent judgment. There are no Directors who has served beyond nine years since the date of his/her first appointment.
4.5	Assessment of Commitment of Directors, including assessment of Directors sitting on Multiple Boards	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 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. 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. 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 FY2019.

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<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 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 24 to 25 of this annual report. Additional details are also shown below.
<table>
<tr><th colspan="4">Table 4.7 – Directorship Additional Details</th></tr>
<tr><th>Name</th><th>Initial Appointment Date</th><th>Date of last re-election</th><th>Directorships held in the past 3 years</th></tr>
<tr><td>Anthony Wong</td><td>20 June 2014</td><td>30 April 2019</td><td>• China Public Procurement Limited</td></tr>
<tr><td>Richard Lee</td><td>18 January 2018</td><td>28 April 2018</td><td>• Spackman Media Group Limited
• Spackman Media Group Pte. Ltd.
• Spackman Media Korea Inc. Spackman Equities Group Inc.</td></tr>
<tr><td>Eugene Lee</td><td>20 June 2014</td><td>28 April 2018</td><td>• Spackman Entertainment Korea Inc.
• Spackman Entertainment Group (HK) Limited
• Zip Cinema Co., Ltd.</td></tr>
<tr><td>Kay Na</td><td>18 January 2018</td><td>28 April 2018</td><td>• Spackman Equities Limited
• Spackman Entertainment Korea Inc.
• Spackman Entertainment Group (HK) Limited
• Spackman Equities Group Inc.
• Take Pictures Pte. Ltd.
• Spackman Media Group Pte. Ltd.
• Spackman Media Group Limited
• Constellation Agency Pte. Ltd.</td></tr>
<tr><td>Jessie Ho</td><td>10 January 2014</td><td>28 April 2018</td><td>Nil</td></tr>
<tr><td>Ng Hong Whee</td><td>20 June 2014</td><td>30 April 2019</td><td>• Communication Design International Limited</td></tr>
</table>
Ms. Eugene Lee and Mr. Kay Na will retire by rotation pursuant to the Constitution of the Company, and will, being eligible and having consented, be nominated for re-election as Directors at the forthcoming AGM. Upon re-election, Ms. Eugene Lee will remain as the Executive Director and Chief Producer of the Company. Mr. Kay Na, will upon re-election, remain as the Executive Director and Chief Operating Officer of the Company, and a member of the NC.
The NC, with the respective member who is interested in the discussion having abstained from the deliberations, had recommended the above respective Directors for re-election at the forthcoming AGM.
</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or
Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td colspan="3"><u>Board Performance</u></td></tr>
<tr><td>5.1
5.2</td><td>Performance criteria and process for evaluation</td><td>Table 5 sets out the performance criteria, as recommended by the NC and approved by the Board, to be relied upon to evaluate the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution by each Director to the effectiveness of the Board:
<table>
<tr><td colspan="3">Table 5</td></tr>
<tr><th>Performance Criteria</th><th>Board and Board Committees</th><th>Individual Directors</th></tr>
<tr><td>Qualitative</td><td>1. Size and composition
2. Access to information
3. Board processes
4. Strategic planning
5. Board accountability
6. Risk management
7. Succession planning</td><td>1. Commitment of time
2. Knowledge and abilities
3. Teamwork
4. Independence (if applicable)
5. Overall effectiveness</td></tr>
<tr><td>Quantitative</td><td>1. Return on equity
2 Performance of the Company's share price over a 3-year period vis-à-vis the FTSE Straits Times 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.</td></tr>
</table>

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		The NC did not propose any changes to the performance criteria for FY2019 as compared to the previous financial year as the economic climate, Board composition, the Group's principal business activities remained substantially the same since FY2015. 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 2020 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.
REMUNERATION MATTERS		
Procedures for Developing Remuneration Policies		
6.1 and 6.3	Role and Terms of Reference of RC	The RC is guided by key terms of reference as follows: (a) Review and recommend to the Board a general framework of remuneration and specific remuneration packages for each Director and key management personnel; (b) Review and recommend to the Board the service contracts of Executive Directors and key management personnel and ensure that such services contracts are fair and not excessively long or with onerous renewal/termination clauses; (c) Reviewing the on-going appropriateness and relevance of the executive remuneration policy and other benefit programs;

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Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		(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.
6.2	Composition of RC	The RC comprises three members, all of whom including the Chairman are Non-Executive Independent Directors.
6.4	Access to Remuneration Consultant	The Remuneration Committee has access to the professional advice of external experts in the area of remuneration, where required. No remuneration consultants were engaged by the Company in FY2019.
Level and Mix of Remuneration		
7.	Determining the level of remuneration	In determining the level of remuneration, the RC shall: • give due consideration to the Code's principles and guidance notes on the level and mix of remuneration so as to ensure that the level of remuneration is appropriate to attract, retain and motivate directors needed to run the Company successfully, taking into account of the risk policies of the Company and be symmetric with risks outcomes and be sensitive to the time horizon of risks; • ensure that proportion of the remuneration is linked to corporate and individual's performance; and

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<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>

- design remuneration packages in such manner to align interests of the Executive Director(s) and key management personnel with those of shareholders.

Annual review is carried out by the RC to ensure that the remuneration of the Executive Director and key management personnel commensurate with the Company's and their performance, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO is reviewed periodically by the RC and the Board.
</td></tr>
<tr><td>7.1</td><td>Remuneration Structure of Executive Director, CEO and Key Management Personnel</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 FY2019. 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.

The following performance conditions were chosen for the Group to remain competitive and to motivate the Executive Directors, CEO and key management personnel to work in alignment with the goals of all stakeholders:

<table>
<tr><th colspan="3">Table 7.1</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>

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	Contractual Provision Protecting the Company's interest	In view that the Group reported a series of positive developments throughout the year, these performance conditions are met mainly for its short-term incentives and shall strive harder for its long-term incentives. The Company currently does not have any contractual provisions which allow it to reclaim incentives from the Executive Directors and key management personnel in certain circumstances. The Board is of the view that as the Group pays performance bonuses based on the actual performance of the Group and/or Company (and not on forward-looking results) as well as the actual results of its Executive Directors and key management personnel, "claw-back" provisions in the service agreements may not be relevant or appropriate.
7.2	Remuneration of Non-Executive director	The Non-Executive Directors do not have any service contracts. Each of them is paid a basic fee, determined by the Board based on their level of contribution and scope of responsibilities. These fees are subject to approval by shareholders as a lump sum payment at the AGM of the Company. The Board, together with the NC, ensures that the Independent Non-Executive Directors are not compensated to the extent that their independence is compromised.
7.3	Remuneration Framework	The Board is of the view that the current remuneration structure for the Executive, Non-executive and key management personnel are appropriate to attract, retain and motivate Directors to provide good stewardship of the Company and key management personnel to successfully managed the Company for the long term.
Disclosure on Remuneration		
8.	Company's remuneration policy	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.

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<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>8.1(a)</td><td>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.</td><td>
The breakdown for the remuneration of the Directors and CEO for FY2019 is as follows:
Table 9.2 – Remuneration of Directors and CEO
<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>Richard Lee[2]</td><td>A</td><td>100</td><td>–</td><td>–</td><td>–</td><td>–</td><td>100</td></tr>
<tr><td>Kay Na</td><td>B</td><td>66</td><td>–</td><td>–</td><td>34</td><td>–</td><td>100</td></tr>
<tr><td>Eugene Lee</td><td>B</td><td>82</td><td>–</td><td>–</td><td>18</td><td>–</td><td>100</td></tr>
<tr><td>Jung Suk Young[3]</td><td>A</td><td>100</td><td>–</td><td>–</td><td>–</td><td>–</td><td>100</td></tr>
<tr><td>Jessie Ho</td><td>A</td><td>–</td><td>–</td><td>100</td><td>–</td><td>–</td><td>100</td></tr>
<tr><td>Anthony Wong</td><td>A</td><td>–</td><td>–</td><td>100</td><td>–</td><td>–</td><td>100</td></tr>
<tr><td>Ng Hong Whee</td><td>A</td><td>–</td><td>–</td><td>100</td><td>–</td><td>–</td><td>100</td></tr>
<tr><td>Ko Jihwan[4]</td><td>A</td><td>100</td><td>–</td><td>–</td><td>–</td><td>–</td><td>100</td></tr>
</table>
Notes:
(1) Remuneration bands:
"A" refers to remuneration of up to S$250,000 per annum.
"B" refers to remuneration from S$250,001 to S$500,000 per annum.
(2) Mr. Richard Lee resigned as Interim CEO and was re-designated from Executive Director to Non-Executive Director from 20 February 2019.
(3) Mr. Jung Suk Young resigned as Executive Director of the company with effect from 20 February 2019.
(4) Mr. Ko Jihwan was appointed as CEO of the Company in place of Mr Richard Lee, Interim CEO of the Company with effect from 20 February 2019.
No Directors received any stock options for FY2019.
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 detailed disclosure would be prejudicial to its business interest given the highly competitive environment. Accordingly, the remuneration of Directors and CEO are disclosed in bands no wider than S$250,000.
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 FY2019.
</td></tr>
</table>

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<table>
<tr><th>Guideline</th><th>Code and/or
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<tr><td>8.1(b)</td><td>(i) key management personnel's remuneration, in bands no wider than S$250,000, 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.

(ii) Aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).</td><td>The breakdown for the remuneration of a top key management personnel (who is not Director or the CEO) of the Group for FY2019 is as follows:

<table>
<tr><th colspan="6">Table 8.1(b) – Remuneration of Key Management Personnel</th></tr>
<tr><th>Name</th><th>Remuneration band[1]</th><th>Salary (%)</th><th>Bonus (%)</th><th>Others[2] (%)</th><th>Total (%)</th></tr>
<tr><td>Jasmine Leong</td><td>A</td><td>85</td><td>15</td><td>–</td><td>100</td></tr>
<tr><td>Ng Siew Ling</td><td>A</td><td>85</td><td>15</td><td>–</td><td>100</td></tr>
</table>

Notes:
(1) Remuneration band "A" refers to remuneration of up to S$250,000 per annum. Remuneration band "B" refers to remuneration between S$250,001 and S$500,000 per annum.
(2) Others refer to defined contribution benefits. Please refer to note 9 of the financial statements on page 105 of the annual report for further details.

No key management personnel received any stock options for FY2019.

The total remuneration paid to the top key management personnel (who are not Directors or the CEO) for FY2019 was less than S$500,000.</td></tr>
<tr><td>8.2</td><td>Employee who is an immediate family member of a Director or the CEO, and whose remuneration exceeds S$100,000 during the last financial year.</td><td>There was no employee of the Group who was a substantial shareholder of the Company, or immediate family of a Director, the CEO or a substantial shareholder of the Company whose remuneration exceeded S$100,000 in FY2019.</td></tr>
</table>

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8.3	Employee share scheme.	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). 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.

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ACCOUNTABILITY AND AUDIT		
Risk Management and Internal Controls		
9.1	Risk Management system	The Board oversees Management in the area of risk management and internal control system. The Board regularly reviews and improves the Company's business and operational activities to identify areas of significant risks as well as take appropriate measures to control and mitigate these risks. Management highlights and discusses (if any) salient risk management matters to the Board on a quarterly basis. The Company's risk management framework and internal control system covers financial, operational, compliance and information technology risks and internal controls. The Board reviews the adequacy and effectiveness of the Company's risk management framework and internal control system annually. For FY2019, the internal audit of the Group was outsourced to a third-party professional firm. The ARMC evaluates the findings of the external and internal auditors on the Group's internal controls annually. The ARMC of the Company has been assisting the Board in carrying out, among other things, its responsibility of overseeing the Group's risk management framework and policies.
9.2	Assurance from CEO and CFO	The Board has obtained assurance from Mr. Ko Jihwan, CEO of the Company and Group Financial Controller in respect of FY2019 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; (ii) the Company's risk management and internal control systems are adequate and effective. The Board has relied on the independent auditor's report as set out in this Annual Report as assurance that the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances. The Board has additionally relied on the IA reports in respect of our subsidiaries, namely, Zip Cinema Co., Ltd. and Frame Pictures Co, Ltd which were issued to the Company in February 2020 as assurances that the Company's risk management and internal control systems are effective.

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Guideline	Code and/or Guide Description	Company's Compliance or Explanation
1207(10) of the Catalist Rule	Board's opinion on Internal Controls	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 FY2019. The bases for the Board's view are as follows: 1. Assurance has been received from the CEO and Group Financial Controller; 2. An internal audit has been done by the internal auditors ("**IA**") and significant matters highlighted to the ARMC and key management personnel were appropriately addressed; 3. Key management personnel regularly evaluates, monitors and reports to the ARMC on material risks; and 4. Discussions were held between the ARMC and auditors in the absence of the key management personnel to review and address any potential concerns. The Company is gradually placing emphasis on sustainability and would implement appropriate policies and programmes when the opportunities arise.
Audit and Risk Management Committee		
10.1 10.4	Duties of the ARMC	All members of the ARMC 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 ARMC members were previous partners or directors of the Company's external audit firm within the last twelve months and none of the ARMC members hold any financial interest in the external audit firm. In order to carry out its duties, 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;

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		(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; (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;

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Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		(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; (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. The ARMC has explicit authority to investigate any matter within its terms of reference and has full access to and co-operation form Management and full discretion to invite any director or executive officer to attend its meetings to enable it to discharge its functions properly and effectively. In the event that a member of the ARMC is interested in any matter being considered by ARMC, he will abstain from reviewing or voting on that particular resolutions.
10.1(f)	Whistle-blowing policy	The Company has put in place a whistle blowing policy and has implemented the procedures, as approved by the ARMC and adopted by the Board. 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 Non-Executive Chairman of the Company or a member of ARMC.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	External Audit Function	The ARMC has been briefed on key audit matters for the Company for FY2019 and has reviewed and is satisfied with the measures taken by the Company in addressing such key audit matters. The fees paid to the EA of the Company for FY 2019 for audit and non-audit services amounted to S$120,000 and S$5,430 respectively. The ARMC has reviewed, and is satisfied with, the independence of the EA. In addition, the ARMC has also reviewed the adequacy of the resources, experience of the EA and of the audit engagement partner assigned to the audit. The ARMC is satisfied that the EA are able to meet their audit obligations. Accordingly, the Company has complied with Rule 712 of the Catalist Rules. The ARMC has recommended and the Board had approved the nomination to re-appoint the EA at the forthcoming AGM.
10.2	Composition of the ARMC	The ARMC comprises three (3) members, all of whom including the Chairman are Non-Executive Independent Directors. Two of its members have the relevant accounting and financial management expertise and experience.
10.3		No ARMC member is a former partners or directors of the Company's External Auditors as prescribed by the Code.
10.4	Internal Audit Function	The Company's internal audit function is outsourced to Crowe Horwath First Trust Risk Advisory Pte. Ltd. ("**Crowe Horwath**") who was appointed by the ARMC and reports directly to the ARMC Chairman and administratively to the CEO and Group Financial Controller. 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 ARMC'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;

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		• 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 ARMC meetings and its unfettered access to all the Group's documents, records, properties and personnel, including direct access to the ARMC.
10.5	Meeting with the external and internal auditors in the absence of management	The ARMC met with the internal auditors and the external auditors once in the absence of Management personnel in February 2020.
719(3), 1204(10C) of the Catalist Rules	ARMC comment on internal audit function	The ARMC reviews the adequacy and effectiveness of internal audit function (including whether it is adequately resourced and independent) on an annual basis and is satisfied with its independence, adequacy and effectiveness. The ARMC also reviews the internal audit reports as well as the remedial measures recommended by the Internal Auditor and adopted by Management to address any issue of inadequacy identified.
SHAREHOLDER RIGHTS AND ENGAGEMENT		
Shareholder Rights and Conduct of General Meetings		
11.1	Provision of Information to shareholders 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.
11.2	Table separate resolutions at general meeting	Separate resolutions on each distinct issue are tabled at general meetings. Shareholders of the Company will be given the opportunity to pose questions in relation to the resolutions tabled before the resolutions is proposed or seconded. 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.
11.3	Attendees at General Meeting	The Company requires all Directors (including the respective chairmen of the Board Committees) to be present at all general meetings of shareholders, unless in case 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. The entire Board except for Eugene Lee, was present at the AGM of the Company on 30 April 2019, EA are also present to assist the Board in addressing queries by shareholders.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
11.4	Voting in Absentia	The Company's Constitution allows for abstentia voting, including but not limited to the voting by mail or electronic mail. 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.
11.5	Minutes of General Meetings	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. The Company publishes minutes of general meeting of shareholders on its corporate website as soon as practicable.
11.6	Dividend policy	The Company does not have a fixed dividend policy. Nonetheless, Management 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. The Board has not declared or recommended any dividend for FY2019.
Engagement with Shareholders		
12.1	Communication with shareholders	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 meetings in FY2019 to meet with its institutional and retail investors. 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.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		Following the amendments to Rule 705 of the Catalist Rules which took effect as of 7 February 2020, the Board has, after due deliberations (including taking into consideration, inter alia, the compliance efforts required in connection therewith), decided not to continue with quarterly reporting of the Company and the Group's unaudited financial statements, and instead, the Company will announce the unaudited financial statements of the Company and the Group on a half-yearly basis, as required under the revised Catalist Rules. The Board believes that announcement of financial statements on a half-yearly basis coupled with enhanced disclosure requirements is sufficient to keep Shareholders and potential investors updated on the Company's and the Group's state of affairs.
12.2	Investor relations Policy and Mechanism through which shareholders may contact the Company.	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. The Company has a dedicated investor relations team.
MANAGING STAKEHOLDERS RELATIONSHIPS		
<u>Engagement with Stakeholders</u>		
13.1 13.2 13.3		The Company has identified stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operation. Such stakeholders includes communities, customers, staff, regulators, shareholders and investors. The Company engages its stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interest of its shareholders. The Company maintains a corporate website at www.spackmanentertainmentgroup.com to communicate and engage with stakeholders.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH APPLICABLE CATALIST RULES		
Catalist Rule	**Rule Description**	**Company's Compliance or Explanation**
712, 715 or 716	Appointment of Auditors	The Company confirms its compliance to the Catalist Rules 712 and 715.
1204(8)	Material Contracts	There were no material contracts entered into by the Group involving the interest of the CEO, any Director, or controlling shareholder, which are either still subsisting at the end of FY2019 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 CEO and Group Financial Controller; 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 colspan="3">COMPLIANCE WITH APPLICABLE CATALIST RULES</th></tr>
<tr><th>Catalist Rule</th><th>Rule Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>1204(17)</td><td>Interested Persons Transaction ("IPT")</td><td>
The Group has procedures governing all IPTs to ensure that they are properly documented and reported on a timely manner to the ARMC and that they are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.
The Group has not obtained a general mandate from shareholders for interested person transactions.
The aggregate value of interested person transactions during FY2019 is as follows:
<table>
<tr><th>Name of interested person</th><th>Aggregate value of all interested person transactions for FY2019 (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 FY2019 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
S$'000</th></tr>
<tr><td>Eugene Lee (Executive Director and Chief Producer of the Company[1])</td><td>724[(1)]</td><td>Not applicable</td></tr>
</table>
Note:
(1) Relates to a loan of KRW200 million which was extended from Zip Cinema to Eugene Lee on 2 August 2017 and an additional loan of KRW380 million to Eugene Lee on 25 October 2018.
</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH APPLICABLE CATALIST RULES		
Catalist Rule	**Rule Description**	**Company's Compliance or Explanation**
1204(19)	Dealing in Securities	The Company has adopted an internal policy which prohibits the Directors and officers from dealings in the securities of the Company while in possession of price-sensitive information. The Company, its Directors and officers are also discouraged from dealing in the Company's securities on short term considerations and are prohibited from dealing in the Company's securities during the period beginning two weeks before the announcement of the Company's quarterly financial statements and one month before the announcement of the Company's full-year financial statements respectively, and ending on the date of the announcement of the relevant results.
1204(21)	Non-sponsor fees	RHT Capital Pte. Ltd. ("**RHTC**") was appointed as the Company's sponsor in place of PrimePartners Corporate Finance Pte. Ltd. ("**PPCF**") with effect from 8 March 2018. In FY2019, the Company incurred advisory fees amounting to S$54,625 (inclusive of GST and out-of-pocket expenses) for advisory services provided by RHTC, in relation to the proposed spin off and listing of Spackman Novus Pte. Ltd.
1204(22)	Use of IPO Proceeds	There are no outstanding proceeds raised from IPO or any offerings pursuant to Chapter 8 of the Catalist Rules.

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2019.

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 72 to 151 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 2019 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended in accordance with the provisions of the Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and

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

Directors

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

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

Arrangements to enable directors to acquire benefits

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

Directors' interest in shares or debentures

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

	Number of ordinary shares Shareholdings registered in the name of directors	
Name of directors	**At 1.1.2019**	**At 31.12.2019**
Eugene Lee	23,160,000	23,160,000
Na Kyoungwon	1,026,800	1,026,800
Richard Lee	1,013,900	1,013,900

The directors' interests in ordinary shares and share options of the Company as at 21 January 2020 were the same as those as at 31 December 2019.

DIRECTORS' STATEMENT

Share options

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

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

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

Audit and Risk Management Committee

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

Anthony Wong (Chairman)
Jessie Ho
Ng Hong Whee

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

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

The ARMC also reviewed the following:

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

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

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

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

DIRECTORS' STATEMENT

Audit and Risk Management Committee (Continued)

(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;

(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 Operating Officer and Group Financial Controller and the independent auditor so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance before their submission to the Board of Directors;

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

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

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

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

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

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

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

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

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

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

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

DIRECTORS' STATEMENT

Independent auditor

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

On behalf of the directors

Richard Lee Director	Na Kyoungwon Director

6 April 2020

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 72 to 151, which comprise the balance sheets of the Group and of the Company as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 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 8 November 2018, the Company completed the acquisition of the entire issued and paid-up share capital of Greenlight Content Limited and its subsidiary ("Greenlight") for a total consideration of USD3,628,434 (SGD4,980,000) satisfied by the issuance of 150,000,000 new ordinary shares of the Company. During the financial year, the Group completed the purchase price allocation ("PPA") arising from the acquisition of Greenlight and recognised goodwill of USD2,979,830.

The Group's disclosure of the business combination accounting applied to the acquisition of Greenlight is set out in Notes 4 and 17(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 (Continued)

Key Audit Matters (Continued)

1. Business combination (Continued)

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

Our procedures to address the key audit matter

We obtained an understanding of management's process related to the acquisition accounting. We read the sales and purchase agreement and financial information of Greenlight and reviewed the accounting treatment in accordance with SFRS(I) 3 Business Combinations.

We assessed the competence, objectivity, and capabilities of the external expert engaged by the Group and evaluated the reasonableness of their conclusions in relation to the key assumptions used. This included assessing the completeness of assets and liabilities identified, and the appropriateness of the fair value of the consideration transferred and the identifiable assets acquired and liabilities assumed. We also involved our valuation specialist in evaluating the reasonableness of the key assumptions and methodologies used in the valuation.

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

2. Impairment review of intangible assets

As at 31 December 2019, the Group has goodwill, customer contracts, customer relationships and copyrights of USD11,911,797, USD399,660, USD741,351 and USD5,829,118 respectively.

Goodwill, customer contracts, customer relationships and copyrights with carrying amounts of USD10,260,930, USD132,933, USD741,351 and USD5,787,660 respectively had been allocated to certain cash generating units ("CGUs") as disclosed in Note 13 to the financial statements. The Group has performed an impairment assessment in accordance with SFRS(I) 1-36 *Impairment of Assets* to determine the value in use of the respective CGUs. This process requires estimating future cash flows based on management's view of future business prospects and applying appropriate terminal growth rates and discount rates to the future cash flow projections. Given the significant level of judgement and estimation involved, and the significance of the assets to the Group's consolidated financial position, we identified this to be a key audit matter.

The key assumptions used in the value in use calculation are disclosed in Note 4 and Note 13 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SPACKMAN ENTERTAINMENT GROUP LIMITED

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

2. Impairment review of intangible assets (Continued)

Our procedures to address the key audit matter

We evaluated management's value in use calculations and the process by which they were developed. We assessed the key estimates applied in the value in use calculations by comparing the cash flow projections to the Group's historical data and performance, 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 evaluated the comparison between the recoverable amounts based on value in use calculation and the carrying value of the CGU in which goodwill is attributable to.

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 2019, the carrying amount of the Company's investment in subsidiaries amounts to USD33,043,528 as disclosed in Note 17 to the financial statements and the Group's and the Company's investment in associated companies amount to USD21,235,730 and USD20,108,383 respectively as disclosed in balance sheets and Note 18 to the financial statements. Where there are indicators that the carrying amounts may not be recoverable, management had performed impairment assessments to compute the recoverable amount, which is the higher of value in use or fair value less costs to sell of the individual subsidiary or associated company. The value in use calculations involve management's assessment of future cash flow projections of the business, and the appropriate terminal growth rates and discount rates applied to the future cash flow projections. The recoverable amount of investment in an associated company is computed based on fair value less costs to sell which is determined using the price per share of share transfers between independent third parties of the associated company's shares during the current financial year.

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SPACKMAN ENTERTAINMENT GROUP LIMITED

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

3. **Impairment review of investments in subsidiaries and associated companies** (Continued)

   Our procedures to address the key audit matter

   Our procedures included procedures to independently review management's assessment of the existence of impairment indicators for the investments. For investments where indications of impairment were identified, we assessed the key estimates applied in the value in use calculations by comparing the cash flow projections to historical data, existing contracts and other relevant documents 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 assessments, based on reasonably possible changes in the key estimates. We involved our internal valuation specialists in assessing the valuation methodology and the reasonableness of the terminal growth rate and discount rate used. We evaluated the comparison between the recoverable amounts based on value in use calculation and the carrying amounts of the investment. For the impairment assessment of the investment in an associated company using fair value less cost to sell, we corroborated the share transfers of the associated company occurring during the financial year including verifying the transacted price per share to the share sale and purchase agreements and evaluated management's basis for determining the fair value less cost to sell.

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2019, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Directors for the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SPACKMAN ENTERTAINMENT GROUP LIMITED

Report on the Audit of the Financial Statements (Continued)

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SPACKMAN ENTERTAINMENT GROUP LIMITED

Report on the Audit of the Financial Statements (Continued)

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

- 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

6 April 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group	
		2019	**2018**
		USD	**USD**
Revenue	5	**20,094,582**	21,673,970
Cost of sales		**(13,278,006)**	(13,903,597)
Gross profit		**6,816,576**	7,770,373
Other income and gains	6a	**439,260**	639,176
Interest income	6b	**142,030**	91,862
Expenses			
Selling expenses		**(654,704)**	(686,074)
General and administrative expenses		**(6,999,854)**	(8,026,424)
Finance costs	7	**(292,291)**	(259,261)
Other expenses		**(2,336,255)**	(755,969)
Share of results of associated companies		**(201,631)**	(173,748)
Loss before tax	8	**(3,086,869)**	(1,400,065)
Tax expense	10	**(346,954)**	(324,222)
Loss for the year		**(3,433,823)**	(1,724,287)
Other comprehensive loss			
Items that are or may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		**(228,569)**	(463,816)
Share of other comprehensive loss of associated companies		**(216,640)**	(231,148)
Items that will not be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		**(70,271)**	(40,450)
Other comprehensive loss for the year, net of tax		**(515,480)**	(735,414)
Total comprehensive loss for the year		**(3,949,303)**	(2,459,701)
Profit/(loss) attributable to:			
Equity holders of the Company		**(3,156,066)**	(2,136,866)
Non-controlling interests		**(277,757)**	412,579
Loss for the year		**(3,433,823)**	(1,724,287)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**(3,601,275)**	(2,831,830)
Non-controlling interests		**(348,028)**	372,129
		(3,949,303)	(2,459,701)
Loss per share for loss attributable to equity holders of the Company (cents per share)			
Basic and diluted	11	**(0.29)**	(0.27)

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

BALANCE SHEETS
AT 31 DECEMBER 2019

	Note	Group 2019 USD	Group 2018 USD	Company 2019 USD	Company 2018 USD
Non-current assets					
Property, plant and equipment	12	**8,259,894**	7,227,373	**672,000**	43,758
Intangible assets	13	**19,019,547**	18,839,756	**277**	277
Investment in subsidiaries	17	**–**	–	**33,043,528**	38,668,039
Investment in associated companies	18	**21,235,730**	21,686,741	**20,108,383**	20,243,983
Film production inventories	14	**1,830,037**	1,190,409	**–**	–
Deferred tax assets	15	**351,734**	329,427	**–**	–
Financial assets at fair value through profit or loss	19	**1,095,896**	1,272,606	**374,282**	459,530
Trade and other receivables	21	**720,548**	783,691	**–**	–
Total non-current assets		**52,513,386**	51,330,003	**54,198,470**	59,415,587
Current assets					
Film production inventories	14	**1,146,697**	1,402,084	**–**	–
Inventories		**8,710**	8,573	**–**	–
Financial assets at fair value through profit or loss	19	**4,137,945**	4,596,589	**–**	–
Loan to subsidiaries	16	**–**	–	**496,000**	1,409,000
Trade and other receivables	21	**6,100,120**	5,427,292	**673,921**	726,144
Contract assets	20	**2,004,317**	2,038,131	**–**	–
Cash and cash equivalents	22	**4,212,366**	2,744,140	**147,603**	285,117
Total current assets		**17,610,155**	16,216,809	**1,317,524**	2,420,261
Total assets		**70,123,541**	67,546,812	**55,515,994**	61,835,848
Non-current liabilities					
Borrowings	24	**2,832,863**	3,320,884	**3,286,953**	–
Other non-current liabilities		**202,724**	84,346	**–**	–
Deferred tax liabilities	15	**1,202,428**	1,323,722	**–**	–
Contract liabilities	20	**1,325,762**	599,231	**–**	–
Total non-current liabilities		**5,563,777**	5,328,183	**3,286,953**	–
Current liabilities					
Trade and other payables	23	**3,891,826**	2,738,567	**382,988**	336,916
Contract liabilities	20	**2,427,324**	2,901,308	**–**	–
Film obligations and production loans	25	**387,912**	440,891	**–**	–
Borrowings	24	**5,771,750**	1,717,072	**602,875**	1,412,581
Tax payable		**375,636**	292,801	**–**	–
Total current liabilities		**12,854,448**	8,090,639	**985,863**	1,749,497
Total liabilities		**18,418,225**	13,418,822	**4,272,816**	1,749,497
Net assets		**51,705,316**	54,127,990	**51,243,178**	60,086,351

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

BALANCE SHEETS

AT 31 DECEMBER 2019

	Note	Group		Company	
		2019	**2018**	**2019**	**2018**
		USD	**USD**	**USD**	**USD**
Equity					
Share capital	26	**66,197,553**	64,410,807	**66,197,553**	64,410,807
Treasury shares	26	**(465,026)**	(204,909)	**(465,026)**	(204,909)
Other reserves	27	**(2,774,169)**	(2,328,960)	**–**	–
Accumulated losses		**(12,051,337)**	(8,895,271)	**(14,489,349)**	(4,119,547)
Equity attributable to equity holders of the Company, total		**50,907,021**	52,981,667	**51,243,178**	60,086,351
Non-controlling interests		**798,295**	1,146,323	**–**	–
Total equity		**51,705,316**	54,127,990	**51,243,178**	60,086,351

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Group	Share capital USD	Treasury shares USD	Other reserves USD	Accumulated losses USD	Total USD	Non-controlling interests USD	Total equity USD
	Attributable to equity holders of the Company						
Balance at 1 January 2019	**64,410,807**	**(204,909)**	**(2,328,960)**	**(8,895,271)**	**52,981,667**	**1,146,323**	**54,127,990**
Loss for the year	**-**	**-**	**-**	**(3,156,066)**	**(3,156,066)**	**(277,757)**	**(3,433,823)**
Other comprehensive income							
Share of other comprehensive loss of associated companies	**-**	**-**	**(216,640)**	**-**	**(216,640)**	**-**	**(216,640)**
Currency translation differences on consolidation	**-**	**-**	**(228,569)**	**-**	**(228,569)**	**(70,271)**	**(298,840)**
Total comprehensive loss for the year	**-**	**-**	**(445,209)**	**(3,156,066)**	**(3,601,275)**	**(348,028)**	**(3,949,303)**
Issue of ordinary shares (Note 26)	**1,786,746**	**-**	**-**	**-**	**1,786,746**	**-**	**1,786,746**
Purchase of treasury shares (Note 26)	**-**	**(260,117)**	**-**	**-**	**(260,117)**	**-**	**(260,117)**
Balance at 31 December 2019	**66,197,553**	**(465,026)**	**(2,774,169)**	**(12,051,337)**	**50,907,021**	**798,295**	**51,705,316**
Balance at 1 January 2018	37,167,432	(134,041)	(1,633,996)	(6,758,405)	28,640,990	774,194	29,415,184
Loss for the year	–	–	–	(2,136,866)	(2,136,866)	412,579	(1,724,287)
Other comprehensive income							
Share of other comprehensive loss of associated companies	–	–	(231,148)	–	(231,148)	–	(231,148)
Currency translation differences on consolidation	–	–	(463,816)	–	(463,816)	(40,450)	(504,266)
Total comprehensive (loss)/income for the year	–	–	(694,964)	(2,136,866)	(2,831,830)	372,129	(2,459,701)
Issue of ordinary shares (Note 26)	27,243,375	–	–	–	27,243,375	–	27,243,375
Purchase of treasury shares (Note 26)	–	(70,868)	–	–	(70,868)	–	(70,868)
Balance at 31 December 2018	64,410,807	(204,909)	(2,328,960)	(8,895,271)	52,981,667	1,146,323	54,127,990

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Share capital USD	Treasury shares USD	Accumulated losses USD	Total equity USD
Company				
Balance at 1 January 2019	**64,410,807**	**(204,909)**	**(4,119,547)**	**60,086,351**
Loss and total comprehensive loss for the year	**–**	**–**	**(10,369,802)**	**(10,369,802)**
Issue of ordinary shares (Note 26)	**1,786,746**	**–**	**–**	**1,786,746**
Purchase of treasury shares (Note 26)	**–**	**(260,117)**	**–**	**(260,117)**
Balance at 31 December 2019	**66,197,553**	**(465,026)**	**(14,489,349)**	**51,243,178**
Balance at 1 January 2018	37,167,432	(134,041)	(2,895,663)	34,137,728
Loss and total comprehensive loss for the year	–	–	(1,223,884)	(1,223,884)
Issue of ordinary shares (Note 26)	27,243,375	–	–	27,243,375
Purchase of treasury shares (Note 26)	–	(70,868)	–	(70,868)
Balance at 31 December 2018	64,410,807	(204,909)	(4,119,547)	60,086,351

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group	
		2019	**2018**
	Note	**USD**	**USD**
Cash flows from operating activities			
Loss before tax		**(3,086,869)**	(1,400,065)
Adjustments for:			
Depreciation of property, plant and equipment	12	**2,129,542**	2,015,269
Interest income	6b	**(142,030)**	(91,862)
Dividend income	6a	**–**	(11,253)
Interest expenses	7	**292,291**	259,261
Impairment loss on film production inventories	8	**28,270**	30,651
Share of results of associated companies		**201,631**	173,748
Amortisation of intangible assets	13	**495,076**	576,108
Impairment loss on goodwill	8	**1,246,000**	–
Impairment loss on investment in associated company		**135,601**	–
Fair value loss on investments in financial assets at FVTPL	8	**289,690**	292,518
Fair value gain on investments in financial assets at FVTPL	6a	**(22,239)**	(2,902)
Allowance for impairment for receivables	8	**171,435**	569,775
Reversal of allowance for impairment for receivables	8	**(23,377)**	–
Reversal of loss on film borne by external investors	8	**1,940**	6,785
Loss on disposal of property, plant and equipment	8	**1,386**	227,756
Gain on disposal of financial assets at FVTPL	6a	**(170,005)**	(21,000)
Gain on disposal of film ancillary rights	6a	**–**	(170,882)
Operating profit before working capital changes		**1,548,342**	2,453,907
Change in operating assets and liabilities, net of effects from acquisition of subsidiaries:			
Investment in theatrical film projects, net		**–**	(212,693)
Inventories and copyrights		**179,863**	(2,046)
Film production inventories		**(54,489)**	(357,668)
Receivables and contract assets		**(94,727)**	1,351,088
Payables and contract liabilities		**1,043,112**	(3,291,880)
Currency translation adjustments		**(80,173)**	(152,192)
Cash from/(used in) operations		**2,541,928**	(211,484)
Interest received		**115,125**	91,862
Income tax paid		**(407,720)**	(496,359)
Net cash from/(used in) operating activities		**2,249,333**	(615,981)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 USD	2018 USD
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**3,931**	129,025
Purchases of property, plant and equipment	12	**(644,087)**	(2,317,642)
Purchases of intangible assets	13	**(251,626)**	(43,110)
Acquisition of a subsidiary, net cash acquired	17c	**20,112**	474,140
Purchases of financial assets at fair value through profit or loss		**(2,218,747)**	(491,906)
Proceeds from disposal of financial assets at fair value through profit or loss		**2,137,714**	480,706
Additional short term loans		**(3,120,664)**	(906,155)
Repayment of short term loans		**2,934,293**	701,222
Dividend received		**–**	11,253
Net cash used in investing activities		**(1,139,074)**	(1,962,467)
Cash flows from financing activities			
Interest paid		**(292,291)**	(259,261)
Repayment of borrowings		**(3,314,775)**	(945,361)
Proceeds from borrowings		**5,309,500**	1,200,701
Advances received from directors of subsidiaries		**1,045,499**	418,068
Repayment of advances received from directors of subsidiaries		**(610,084)**	(825,508)
Proceeds from film obligations and production loans		**–**	6,480,507
Repayment of film obligations and production loans		**(37,606)**	(6,116,968)
Repayment of lease liabilities		**(1,517,341)**	(633,528)
Purchase of treasury shares		**(260,117)**	(70,868)
Net cash generated from/(used in) financing activities		**322,785**	(752,218)
Net increase/(decrease) in cash and cash equivalents		**1,433,044**	(3,330,666)
Cash and cash equivalents at beginning of the financial year		**2,744,140**	6,236,554
Effects of exchange rate changes on cash and cash equivalents		**35,182**	(161,748)
Cash and cash equivalents at end of the financial year		**4,212,366**	2,744,140

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 17.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Group are expressed in United States Dollar ("USD"). The financial statements of the Group have been prepared in accordance with the provisions of the Companies Act and Singapore Financial Reporting Standards International ("SFRS(I)"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

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

Use of estimates and judgements

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

The areas involving a higher degree of judgement in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 4.

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 2019

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

(a) Basis of preparation (Continued)

New and revised standards

In the current financial year, the Group has adopted all new and revised SFRS(I) and SFRS(I) Interpretations ("SFRS(I) INT") that are effective for the current financial year. The application of these new and revised SFRS(I) and SFRS(I) INT do not have a material effect on the financial statements, except as disclosed in Note 3.

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 2019 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.

(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 2019

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

(b) **Basis of consolidation** (Continued)

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

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

(c) **Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

(d) **Associated companies**

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Associated companies (Continued)

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.

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

(e) Goodwill

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Revenue recognition

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

(f) **Revenue recognition** (Continued)

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

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

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

Other revenue – talent management

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

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

Other revenue – consulting services

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Revenue recognition (Continued)

Other revenue – sale of content

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

Participation revenue

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

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

Other income

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

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

(g) Property, plant and equipment (Continued)

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.

Office renovations in the course of construction for production, or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss until construction or development is completed. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policies. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

(h) Intangible assets

Acquired libraries comprised distribution rights and films in development acquired by the Group and are charged to cost of sales when the film is released. Acquired libraries are reviewed for impairment at each 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Intangible assets (Continued)

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

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

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

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

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

(i) Film production inventories

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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

The accounting policy for leases before 1 January 2019 are as follows:

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 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leases (Continued)

The accounting policy for leases before 1 January 2019 are as follows: (Continued)

When a Group entity is the lessee (Continued)

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.

When a Group entity is the lessor

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.

The accounting policy for leases after 1 January 2019 are as follows:

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

When a Group entity is the lessee

The Group applies a single recognition and measurement approach for all contracts that are, or contain, a lease, except for short-term leases (i.e. for leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets (e.g. leases of tablet and personal computers, small items of office equipment and telephones). For these exempted leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leases (Continued)

The accounting policy for leases after 1 January 2019 are as follows: (Continued)

When a Group entity is the lessee (Continued)

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease liability is presented within "borrowings" in the balance sheets.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability using the effective interest method, and reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, initial direct cost, less any lease incentive received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the cost relates to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leases (Continued)

The accounting policy for leases after 1 January 2019 are as follows: (Continued)

When a Group entity is the lessee (Continued)

Right-of-use assets (Continued)

Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter period of the lease term and useful life of the underlying asset. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The depreciation starts at the commencement date of the lease.

The right-of use assets are presented within "Property, plant and equipment" in the balance sheets.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2(j). As a practical expedient, SFRS(I) 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease component as a single arrangement. The Group has not used this practical expedient. For a contract that contain a lease and one or more additional lease and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate stand-alone price of the non-lease components.

When a Group entity is the lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes both lease and non-lease components, the Group applies SFRS(I) 15 to allocate the consideration under the contract to each component.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Income taxes

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

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable or recoverable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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 companies, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

(m) Financial assets

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial assets (Continued)

Recognition and derecognition (Continued)

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

Classification and measurement

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

The Group classifies its financial assets in the following measurement categories:

- Amortised cost; and
- Fair value through profit or loss ("FVTPL").

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial assets (Continued)

Subsequent measurement

Debt instruments

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

Amortised cost

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Equity instruments

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

Investments in theatrical projects

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

Impairment

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial assets (Continued)

Impairment (Continued)

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

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

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

Offset

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

(n) Cash and cash equivalents

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

(o) Financial liabilities

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

For financial liabilities other than film obligations and production loans, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or loss arising from changes in fair value of film obligations and production loans are recognised in profit or loss. A financial liability is derecognised when the obligation under the liability is extinguished.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Film obligations and production loans

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

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

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

Where the Group acts as Producer but not the Presenter of the film titles, financing received from the third party funders are advanced to the Presenter of the film. These advances are classified as "investments in theatrical projects" in financial assets at fair value through profit or loss. The third party funders' share of box office proceeds received/receivable from the Presenter is paid/payable to the third party funders. The transaction has no impact to the Group's profit or loss. The amount of investment in theatrical projects made from funds received from third party funders as at the balance sheet date is disclosed in Note 19.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

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

Translation of Group entities' financial statements

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

(i) Assets and liabilities are translated at the closing rates at the date of the balance sheet;

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

(iii) All resulting exchange differences are recognised in the currency translation reserve within equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Foreign currencies (Continued)

Translation of Group entities' financial statements (Continued)

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 2019

3 INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS EFFECTIVE IN 2019

SFRS(I) 16 Leases

When the Group is the lessee

SFRS(I) 16 Leases replaces the existing SFRS(I) 1-17 Leases for financial periods beginning 1 January 2019. 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.

On adoption of SFRS(I) 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "Operating Leases" under SFRS(I) 1-17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.06%.

	Group 2019 USD	Company 2019 USD
Operating lease commitments disclosed as at 31 December 2018	1,292,777	279,147
Operating lease commitment not recognised as at 31 December 2018	409,418	–
Discounted using the weighted average lessee's incremental borrowing rate	(164,245)	(4,991)
Add: adjustments as a result of a different treatment of extension options	961,113	563,950
Add: finance lease liabilities as at 31 December 2018*	1,277,438	–
Lease liability recognised as at 1 January 2019	3,776,501	838,106

* The net carrying value of right-of-use assets acquired under finance lease agreements amounted to USD788,796 as at 31 December 2018 and 1 January 2019 (Note 12).

The associated right-of-use assets were measured at the amount equal to the lease liability on adoption. Arising from the adoption of SFRS(I) 16, the Group recognised rights-of-use asset and lease liabilities of USD3,287,859 and USD3,776,501 respectively on the consolidated balance sheet on 1 January 2019. The Company recognised right-of-use assets and lease liabilities of USD838,106 and USD838,106 respectively on the balance sheet on 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS EFFECTIVE IN 2019 (CONTINUED)

SFRS(I) 16 Leases (Continued)

When the Group is the lessee (Continued)

In applying SFRS(I) 16 for the first time, the Group and the Company have used the following practical expedients permitted by the standard:

- account for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and

- use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

When the Group is the lessor

There are no material changes to accounting by the Group as a lessor.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Acquisitions of subsidiaries

The initial accounting on acquisition of subsidiaries involve the fair valuation of the consideration transferred, the identification of the acquired assets and liabilities and their respective fair values. The fair value measurement of the consideration transferred, and the assets and liabilities identified during the acquisition of subsidiaries are determined by independent valuer and management by reference to comparable market prices or present value of expected net cash flows from the assets. Any changes in the assumptions used and estimates made in determining the fair values will impact the carrying amount of the assets and liabilities identified and goodwill as recorded in the consolidated financial statements and investments in subsidiaries in the Company's balance sheet. Details of the Group's acquisition are disclosed in Note 17.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Impairment of intangible assets

Goodwill are tested for impairment annually and whenever there is indication that goodwill may be impaired. Other intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. The recoverable amounts of the cash generating units which goodwill and other intangible assets have been allocated to are determined based on the value in use prepared on the basis of management's assumptions and estimates. Any changes in the assumptions used and estimates made will impact the impairment assessment of the intangible assets. The key assumptions and estimates applied in the determination of the value in use including a sensitivity analysis, and the carrying amount of intangible assets are disclosed and further explained in Note 13.

Impairment of investments in subsidiaries and associated companies

The Company 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 using the transaction price of the associate company's shares between independent parties 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. For investment in an associated company, the recoverable amount is computed based on fair value less costs to sell which is determined using the price per share of share transfers between independent third parties of the associated company's shares during the current financial year. The carrying amount of investments in subsidiaries and associated companies are disclosed in Notes 17 and 18 respectively.

Investment in associated company

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

Fair value estimation of unquoted equity investments

The Group holds unquoted equity investments amounting to USD374,282. The Group has used discounted cash flow method for valuing certain of these financial assets and made estimates about expected future cash flows and suitable discount rate to determine fair values of the unquoted equity investments. Changes in assumptions about these factors could affect the carrying values of these financial assets. The discount rate used and carrying values of the unquoted equity investments at the balance sheet date are disclosed in Note 19.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5 REVENUE

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

	Group	
	2019	**2018**
	USD	**USD**
Distribution of films	**3,817,293**	6,412,540
Production of films	**12,212,117**	8,786,666
Leasing of equipment	**2,195,538**	4,144,127
Others		
– Consulting services	**521,879**	636,152
– Talent appearance and management	**189,689**	558,322
– Sale of content	**491,464**	291,392
– Others	**666,602**	844,771
	20,094,582	21,673,970

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

	Group	
	2019	**2018**
	USD	**USD**
Timing of revenue recognition		
At a point in time	**1,470,161**	1,519,476
Over time	**18,624,421**	20,154,494
	20,094,582	21,673,970

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

- The performance obligation is part of a contract that has an original expected duration of one year or less; or

- The Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, and it recognises revenue in that amount.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6A OTHER INCOME AND GAINS

	Group	
	2019	2018
	USD	USD
Fair value gain on investment in financial assets at FVTPL	**22,239**	2,902
Foreign exchange gain	**41,783**	75,796
Gain on disposal of film ancillary rights	**–**	170,882
Gain on disposal of financial assets at FVTPL	**170,005**	21,000
Rental income		
– Related party	**103,774**	41,444
Government grants	**40,064**	4,977
Dividend income	**–**	11,253
Others	**61,395**	310,922
	439,260	639,176

6B INTEREST INCOME

	Group	
	2019	2018
	USD	USD
Interest income		
– Loan to related party	**22,889**	11,321
– Loan to third parties	**115,747**	68,175
– Money market funds	**3,394**	12,366
	142,030	91,862

7 FINANCE COSTS

	Group	
	2019	2018
	USD	USD
Interest expenses		
– Bank loans	**164,790**	188,243
– Leases	**118,850**	71,018
– Related party	**8,651**	–
	292,291	259,261

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8 LOSS BEFORE TAX

	Group	
	2019	2018
	USD	USD
Loss before tax is arrived at after charging/(crediting):		
Allowance for impairment for receivables (Note 30b)	**171,435**	569,775
Reversal of allowance for impairment for receivables (Note 30b)	**(23,377)**	–
Amortisation of intangible assets (Note 13)	**495,076**	576,108
Audit fees paid/payable to		
– Auditor of the Company	**88,235**	82,450
– Other auditors of the Group*	**97,212**	69,385
Fees for non-audit services paid/payable to		
– Auditor of the Company	**3,993**	–
– Other auditors of the Group*	**30,314**	–
Depreciation of property, plant and equipment (Note 12)	**2,129,542**	2,015,269
Fair value loss on investments in financial assets at FVTPL	**289,690**	292,518
Impairment on goodwill	**1,246,000**	–
Impairment loss on investment in associated company	**135,601**	–
Loss on disposal of property, plant and equipment	**1,386**	227,756
Personnel expenses (Note 9)	**2,819,620**	2,897,622
Rental expense	**175,270**	1,233,847
Travelling expenses	**170,517**	246,521
Impairment loss on film production inventories (Note 14)	**28,270**	30,651
Reversal of loss on film borne by external investors	**1,940**	6,785
Foreign exchange loss	**179,862**	121,047

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

9 PERSONNEL EXPENSES

	Group	
	2019	2018
	USD	USD
Key management personnel		
– Salaries, bonus and other benefits	**665,779**	1,043,013
– Defined contribution benefits	**33,922**	38,823
	699,701	1,081,836
Other personnel		
– Salaries and bonus	**1,637,570**	1,344,882
– Defined contribution benefits	**139,382**	90,700
– Other short-term benefits	**342,967**	380,204
	2,119,919	1,815,786
	2,819,620	2,897,622

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10 TAX EXPENSE

	Group	
	2019	2018
	USD	USD
Tax expense attributable to profit/(loss) is made up of:		
Current income tax provision	**352,456**	455,319
Deferred tax (Note 15)	**(141,964)**	(196,217)
	210,492	259,102
Under provision in respect of previous financial year		
– current income tax	**136,462**	65,120
	346,954	324,222

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

	Group	
	2019	2018
	USD	USD
Loss before tax	**(3,086,869)**	(1,400,065)
Tax at domestic rates applicable to profit/(loss) in countries where the Group operate	**(382,466)**	(129,754)
Expenses not deductible for tax purposes	**318,342**	44,663
Income not subject to tax	**(39,073)**	(115,619)
Deferred tax assets not recognised for the year	**502,507**	423,812
Under provision in prior year	**136,462**	65,120
Tax credit	**(288,476)**	–
Others	**99,658**	36,000
	346,954	324,222

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% (2018: 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% (2018: 22%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11 LOSS PER SHARE

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

	2019 USD	2018 USD
Net loss for the year attributable to equity holders of the Company	**(3,156,066)**	(2,136,866)
Weighted average number of ordinary shares for basic and diluted loss per share	**1,088,656,019**	790,637,355
Basic and diluted loss per share (cents per share)	**(0.29)**	(0.27)

12 PROPERTY, PLANT AND EQUIPMENT

	Land USD	Building USD	Leasehold properties USD	Equipment USD	Motor vehicles USD	Leasehold improvements USD	Construction in progress USD	Total USD
Group								
2019								
Cost								
At 1.1.2019	396,897	2,780,940	-	6,129,319	47,910	1,031,504	25,042	10,411,612
Recognition of Right-of-use asset on initial application of SFRS(I) 16	-	-	2,089,645	-	409,418	-	-	2,499,063
Cost at 1.1.2019 (restated)	396,897	2,780,940	2,089,645	6,129,319	457,328	1,031,504	25,042	12,910,675
Additions	-	-	-	939,541	19,931	13,359	-	972,831
Acquisition of subsidiaries	-	-	-	67	-	-	-	67
Disposal	-	-	-	(3,715)	(1,716)	-	-	(5,431)
Currency translation differences	(13,609)	(95,356)	(56,893)	(205,613)	(1,519)	(28,092)	(858)	(401,940)
At 31.12.2019	383,288	2,685,584	2,032,752	6,859,599	474,024	1,016,771	24,184	13,476,202
Accumulated depreciation								
At 1.1.2019	-	214,330	-	2,346,594	30,905	592,410	-	3,184,239
Depreciation charge	-	66,687	766,377	987,278	184,021	125,179	-	2,129,542
Disposal	-	-	-	-	(114)	-	-	(114)
Currency translation differences	-	(2,703)	(4,192)	(76,881)	(1,001)	(12,582)	-	(97,359)
At 31.12.2019	-	278,314	762,185	3,256,991	213,811	705,007	-	5,216,308
Net carrying value								
At 31.12.2019	383,288	2,407,270	1,270,567	3,602,608	260,213	311,764	24,184	8,259,894

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Equipment USD	Leasehold improvements USD	Leasehold properties USD	Total USD
Company				
2019				
Cost				
At 1.1.2019	**29,175**	**37,959**	**–**	**67,134**
Recognition of Right-of-use asset on initial application of SFRS(I) 16	**–**	**–**	**838,106**	**838,106**
At 1.1.2019 (restated)	**29,175**	**37,959**	**838,106**	**905,240**
Additions	**758**	**–**	**–**	**758**
At 31.12.2019	**29,933**	**37,959**	**838,106**	**905,998**
Accumulated depreciation				
At 1.1.2019	**12,699**	**10,677**	**–**	**23,376**
Depreciation charge	**5,921**	**11,292**	**193,409**	**210,622**
At 31.12.2019	**18,620**	**21,969**	**193,409**	**233,998**
Net carrying value				
At 31.12.2019	**11,313**	**15,990**	**644,697**	**672,000**
2018				
Cost				
At 1.1.2018	18,180	4,090	–	22,270
Additions	10,995	33,869	–	44,864
At 31.12.2018	29,175	37,959	–	67,134
Accumulated depreciation				
At 1.1.2018	7,682	3,508	–	11,190
Depreciation charge	5,017	7,169	–	12,186
At 31.12.2018	12,699	10,677	–	23,376
Net carrying value				
At 31.12.2018	16,476	27,282	–	43,758

(a) Included in property, plant and equipment of the Group and the Company are right-of-use assets of USD2,055,579 and USD644,697 respectively. (Note 29)

(b) As at 31 December 2018, the net carrying values of property, plant and equipment of the Group acquired under finance lease agreements (classified as finance lease under SFRS(I) 1-17) amounted to USD788,796.

(c) Bank borrowings are secured on the land and building of the Group with a net carrying value of USD2,794,749 (2018: USD2,963,507) (Note 24).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) Non cash transactions.

	Group		Company	
	2019 USD	2018 USD	2019 USD	2018 USD
Aggregate cost of property, plant and equipment acquired:	**972,831**	2,815,660	**758**	44,864
Less: additions to right-of-use assets	**(328,744)**	–	**–**	–
Less: additions under finance lease	**–**	(498,018)	**–**	–
Net cash outflow for purchase of property, plant and equipment	**644,087**	2,317,642	**758**	44,864

13 INTANGIBLE ASSETS

	Acquired libraries USD	Software USD	Goodwill USD	Customer contracts USD	Customer relationships USD	Copyright USD	Total USD
Group							
2019							
Cost							
At 1.1.2019	95,038	205,908	11,609,813	739,966	1,178,038	5,749,228	19,577,991
Acquisition of subsidiaries	–	–	1,574,940	306,999	–	–	1,881,939
Additions	–	–	–	–	–	251,626	251,626
Disposal	–	–	–	–	–	(180,000)	(180,000)
Currency translation differences	(2,307)	(6,142)	(26,956)	(47,167)	39,178	8,264	(35,130)
At 31.12.2019	92,731	199,766	13,157,797	999,798	1,217,216	5,829,118	21,496,426
Accumulated amortisation and impairment loss							
At 1.1.2019	27,766	87,411	–	342,216	280,842	–	738,235
Amortisation charge	–	42,131	–	257,922	195,023	–	495,076
Impairment loss	–	–	1,246,000	–	–	–	1,246,000
Currency translation differences	–	(2,432)	–	–	–	–	(2,432)
At 31.12.2019	27,766	127,110	1,246,000	600,138	475,865	–	2,476,879
Net carrying value							
At 31.12.2019	64,965	72,656	11,911,797	399,660	741,351	5,829,118	19,019,547

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13 INTANGIBLE ASSETS (CONTINUED)

	Acquired libraries USD	Software USD	Goodwill USD	Customer contracts USD	Customer relationships USD	Copyright USD	Total USD
Group							
2018							
Cost							
At 1.1.2018	79,302	180,662	4,310,855	106,406	973,034	–	5,650,259
Acquisition of subsidiaries	–	8,005	7,325,799	633,560	205,004	5,749,228	13,921,596
Additions	18,177	24,933	–	–	–	–	43,110
Currency translation differences	(2,441)	(7,692)	(26,841)	–	–	–	(36,974)
At 31.12.2018	95,038	205,908	11,609,813	739,966	1,178,038	5,749,228	19,577,991
Accumulated amortisation							
At 1.1.2018	27,766	32,164	–	–	104,254	–	164,184
Amortisation charge	–	57,304	–	342,216	176,588	–	576,108
Currency translation differences	–	(2,057)	–	–	–	–	(2,057)
At 31.12.2018	27,766	87,411	–	342,216	280,842	–	738,235
Net carrying value							
At 31.12.2018	67,272	118,497	11,609,813	397,750	897,196	5,749,228	18,839,756

	Software USD
Company	
Cost	
At 1.1.2018, 31.12.2018 and 31.12.2019	**277**
Accumulated amortisation	
Amortisation charge and at 1.1.2018, 31.12.2018 and 31.12.2019	**–**
Net carrying value	
At 31.12.2018 and 31.12.2019	**277**

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

Provisional goodwill of the acquisition of Simplex Films Limited ("Simplex")

The details of the acquisition of Simplex on 20 August 2019 are disclosed in Note 17(c). Upon the completion of acquisition of Simplex, a provisional goodwill amounting to USD1,440,441 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 Simplex at date of the acquisition.

The Group has appointed an independent valuer to perform a review of the purchase price allocation ("PPA"). As at the date of these 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13 INTANGIBLE ASSETS (CONTINUED)

Impairment test of goodwill

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

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

	Greenlight		Constellation		Novus		Frame		Take Pictures	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
		(Restated)								
Goodwill	**2,979,830**	2,979,830	**4,300,363**	4,300,363	**759,151**	786,107	**1,864,006**	1,864,006	**1,603,580**	1,603,580
Impairment loss	**(501,000)**	–	**-**	–	**-**	–	**(745,000)**	–	**-**	–
	2,478,830	2,979,830	**4,300,363**	4,300,363	**759,151**	786,107	**1,119,006**	1,864,006	**1,603,580**	1,603,580
Intangible assets:										
– customer relationships	**-**	–	**150,578**	167,420	**-**	–	**590,773**	729,776	**-**	–
– customer contracts	**-**	–	**132,933**	397,750	**-**	–	**-**	–	**-**	–
– copyrights	**178,318**	180,000	**5,609,342**	5,569,228	**-**	–	**-**	–	**-**	–

Key assumptions used in value-in-use calculation

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

	Greenlight	Constellation		Novus		Frame		Take Pictures	
	2019	2019	2018	2019	2018	2019	2018	2019	2018
	%	%	%	%	%	%	%	%	%
Average gross margin	**85**	**62**	61	**23**	31	**27**	31	**15**	25
Growth rate	**1**	**1**	1	**2**	1	**1**	1	**1**	2
Discount rate (pre-tax)	**11**	**16**	14	**14**	16	**17**	16	**17**	13

(1) Budgeted average 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 average gross margin is based on past revenue growth trend and management's expectations of market development. The impairment charged of USD1,246,000 (2018: USD Nil) is included within "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13 INTANGIBLE ASSETS (CONTINUED)

Sensitivity to changes in assumptions

(i) Constellation, Novus and Take Pictures CGU

With regards to the assessment of value in use for Constellation, Novus and Take Pictures CGU, a decrease in forecasted revenue by 2%, 13% and 5% respectively would result in the recoverable amount of Constellation, Novus and Take CGU to be equal to its carrying amount.

(ii) Greenlight and Frame CGU

With regards to the assessment of value in use for Greenlight and Frame CGU, a decrease in forecasted revenue by 1% would result in additional impairment loss on the goodwill of USD103,000 and USD22,000 respectively.

14 FILM PRODUCTION INVENTORIES

	Group	
	2019	2018
	USD	USD
Cost		
Balance at beginning of the financial year	**2,646,786**	2,136,015
Acquisition of subsidiaries	**358,021**	759,457
Additions	**247,800**	357,669
Disposal	**(127,637)**	(529,227)
Currency translation differences	**(76,860)**	(77,128)
Balance at end of the financial year	**3,048,110**	2,646,786
Accumulated impairment losses		
Balance at beginning of the financial year	**54,293**	568,685
Impairment loss	**28,270**	30,651
Disposal	**–**	(529,227)
Currency translation differences	**(11,187)**	(15,816)
Balance at end of the financial year	**71,376**	54,293
Net carrying value		
Balance at end of the financial year	**2,976,734**	2,592,493
Representing:		
Current	**1,146,697**	1,402,084
Non-current	**1,830,037**	1,190,409
	2,976,734	2,592,493

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

15 DEFERRED TAX (LIABILITIES)/ASSETS

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

	Group	
	2019	**2018**
	USD	**USD**
Balance at beginning of the financial year	**(994,295)**	(334,328)
Acquisition of subsidiaries	**–**	(860,536)
Tax credited/(charged) to		
– statement of profit or loss (Note 10)	**141,964**	196,217
Currency translation differences	**1,637**	4,352
Balance at end of the financial year	**(850,694)**	(994,295)
Representing:		
Deferred tax assets	**351,734**	329,427
Deferred tax liabilities	**(1,202,428)**	(1,323,722)
	(850,694)	(994,295)

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

	Group	
	2019	**2018**
	USD	**USD**
Tax losses	**91,605**	214,410
Differences in depreciation for tax purposes	**(442,839)**	(344,952)
Differences in amortisation for tax purposes	**(872,571)**	(957,823)
Allowance for doubtful debt	**213,538**	134,672
Net fair value loss on investments in financial asset at FVTPL	**81,765**	–
Other deductible temporary differences	**77,808**	(40,602)
	(850,694)	(994,295)

At the balance sheet date, the Group has unutilised tax losses of USD8,990,000 (2018: USD6,985,000) 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 USD416,386 (2018: USD974,600) of such losses. No deferred tax assets has been recognised in respect of the remaining USD8,573,614 (2018: USD6,010,400) losses as it is not probable that future taxable profits will be sufficient to allow the related tax benefits to be realised. Unutilised tax losses are available for carry forward up to 10 years from the year of loss to offset against future taxable income of the subsidiaries.

At balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which tax liabilities have not been recognised is USD1,626,000 (2018: USD1,226,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the forseeable future.

16 LOAN TO SUBSIDIARIES

The amounts due from subsidiaries are non-trade in nature, bear interest at 2% (2018: 2%) per annum, unsecured and repayable on demand.

17 INVESTMENT IN SUBSIDIARIES

	Company 2019 USD	Company 2018 USD
Unquoted equity shares, at cost		
Balance at beginning of financial year	**38,668,039**	22,713,822
Acquisitions during financial year	**1,786,745**	15,954,217
Less: Impairment loss	**(7,411,256)**	–
Balance at end of financial year	**33,043,528**	38,668,039

(a) Details of subsidiaries are as follows:

Name of subsidiary	Place of incorporation	Principal business	Proportion of ownership interest 2019 %	Proportion of ownership interest 2018 %
Held by the Company				
Spackman Entertainment Group (HK) Limited ("SEG HK")[(1)]	Hong Kong	Investment holding company.	**100.00**	100.00
Frame Pictures Co., Ltd[(2)]	Korea	Leasing of movie/drama equipment.	**100.00**	100.00
Constellation Agency Pte. Ltd. ("Constellation")[(3)]	Singapore	Involved in the business of overseas agency for Korean artists venturing into the overseas market.	**100.00**	100.00
Greenlight Content Limited ("Greenlight")[(4)]	Cayman Islands	Involved in the business of investing into dramas and movies, as well as providing consulting services for the production of Korean content.	**100.00**	100.00
Held by the Company				
Take Pictures Pte.Ltd. ("Take")[(3)]	Singapore	Web portals, development of other software and programming activities.	**100.00**	100.00
Noon Pictures Co., Ltd ("Noon")[(7)]	Korea	Professional photography services.	**60.24**	60.24
Novus Mediacorp Co., Ltd ("Novus")[(2)]	Korea	Development, production, importation and exportation, investment, distribution and promotion of motion pictures.	**51.00**	51.00
Simplex Films Limited ("Simplex")[(5)]	Hong Kong	Planning, production and distribution of films, television ("TV") dramas and performances.	**100.00**	–

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows: (Continued)

Name of subsidiary	Place of incorporation	Principal business	Proportion of ownership interest 2019 %	2018 %
Held by SEG HK				
Spackman Equities Limited ("SEL")(1)	Hong Kong	Investment holding company.	**100.00**	100.00
Zip Cinema Co., Ltd ("Zip")(1)	Korea	Planning, production and distribution of films, television ("TV") dramas and performances. Business of advertisement and advertising agent. Management and promotional activities for local and overseas entertainers, athletes, artists, etc. Development, production and distribution of games and animations. Production and sale of goods related to entertainment. Development of mobile content and online services. Agency of promotion and advertising, event and human resource services for films, TV dramas, music videos and commercials. Sales and lease of real property.	**100.00**	100.00
Spackman Entertainment Korea Inc. ("SEKI")(2)	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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows: (Continued)

Name of subsidiary	Place of incorporation	Principal business	Proportion of ownership interest 2019 %	2018 %
Held by SEKI				
Upper West Inc. ("Upper West")[(4)]	Korea	Restaurant business, franchise and service business, processing and sale of food.	**94.38**	94.38
Held by Take				
Studio Take Co., Ltd.[(2)]	Korea	Planning, production and distribution of films, television ("TV") dramas and performances.	**100.00**	100.00
Held by Constellation				
The P Factory Co., Ltd. ("P Factory")[(6)]	Korea	Production of advertising projects (commercial advertising).	**100.00**	100.00
Platform Media Group Co., Ltd ("Platform")[(6)]	Korea	Management of artiste event sales, from movies and drama.	**100.00**	100.00
Held by Greenlight				
Greenlight Content Co., Ltd. ("Greenlight Content")[(4)]	Korea	Provision of consulting services for the production of Korean content.	**100.00**	100.00
Held by Simplex				
Simplex Films Co., Ltd ("Simplex Films")[(6)]	Korea	Planning, production and distribution of films, television ("TV") dramas and performances.	**100.00**	–

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

(2) Audited by Nexia Samduk, Korea.

(3) Audited by CK Assurance, Singapore.

(4) Audited by BKR Seonjin Accounting Corp., Korea.

(5) Audited by Nexia Hong Kong.

(6) Audited by Crowe Horwath (Hanul), Korea.

(7) Not required to be audited in the country of incorporation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(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 2019 %	Ownership interests held by NCI 2018 %
Novus	Korea	**49.00**	49.00

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

	Novus	
	2019 USD	**2018 USD**
Summarised Balance Sheets		
Non-current assets	**782,968**	363,938
Current assets	**6,735,098**	4,087,418
Non-current liabilities	**(1,098,185)**	(84,346)
Current liabilities	**(4,486,318)**	(1,787,342)
Net assets	**1,933,563**	2,579,668
Net assets attributable to NCI	**947,446**	1,264,038
Summarised Income Statements		
Revenue	**3,527,739**	6,384,273
(Loss)/profit before tax	**(687,003)**	1,318,897
Income tax credit/(expense)	**189,481**	(396,680)
(Loss)/profit and total comprehensive (loss)/income	**(497,522)**	922,217
Loss allocated to NCI	**(243,786)**	451,886
Summarised Cash Flows		
Operating cash flows	**(149,551)**	391,948
Investing cash flows	**(2,215,710)**	(352,925)
Financing cash flows	**2,564,453**	113,915
Net increase in cash and cash equivalents	**199,192**	152,938

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Acquisition of subsidiaries

Acquisition of Greenlight Content Limited

On 8 November 2018, the Company acquired 100% of the issued share capital of Greenlight Content Limited and its subsidiaries ("Greenlight") for USD3,628,434 (SGD4,980,000). The Group has acquired Greenlight in order to reinforce the Group's foothold into the Korean drama sector and raise the utilisation rate of Spackman Media Group Limited to participate in the highest quality entertainment content project.

(i) Acquisition-date consideration transferred

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

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

	Group 2018 USD
Intangible assets*	225,607
Investment	1,690,572
Cash and cash equivalents	46,979
Trade and other payables	(420,595)
Borrowings	(893,959)
Total identifiable net assets at estimated fair value	648,604
Goodwill arising from acquisition (Note 13)*	2,979,830
Total consideration transferred	3,628,434

* Goodwill of USD287,674 previously recorded under "Intangible assets" relating to Greenlight Content Limited's acquisition of its subsidiary has been reclassified to "Goodwill arising from acquisition" following the completion of the PPA exercise in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

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17 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Acquisition of subsidiaries (Continued)

Acquisition of Greenlight Content Limited (Continued)

(iii) *Effect on cash flows of the Group*

	Group 2018 USD
Total consideration for 100% equity interest acquired	3,628,434
Less: Non-cash consideration(1)	(3,628,434)
Consideration settled in cash	–
Less: Cash and cash equivalents of subsidiary acquired	(46,979)
Net cash inflow on acquisition	46,979

(1) The non-cash consideration for the acquisition consist of the issuance of 150,000,000 new ordinary shares of the Company of SGD0.0332 (equivalent to USD0.0242) per share, representing the volume weighted average price ("VWAP") for each share on 8 November 2018.

(iv) *Revenue and profit contribution*

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

Acquisition of Simplex Films Limited

On 20 August 2019, the Company acquired 100% of the issued share capital of Simplex Films Limited and its subsidiaries ("Simplex Group") for USD1,786,746. The Group has acquired Simplex Group in order to leverage on talent management platform to participate in content and also to invest in companies that can financially and strategically complement the Group's existing core operations. The acquisition of Simplex Group will help the Group develop a more consistent and stable revenue and further diversify its business.

(i) *Acquisition-date consideration transferred*

	Group 2019 USD
Non-cash consideration and total consideration transferred	**1,786,746**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Acquisition of subsidiaries (Continued)

Acquisition of Simplex Films Limited (Continued)

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

	Group 2019 USD
Property, plant and equipment	67
Goodwill	134,499
Intangible assets	306,999
Deposits	136
Film production inventories	358,021
Trade and other receivables	1,029
Cash and cash equivalents	20,112
Trade and other payables	(104,249)
Borrowings	(370,309)
Net identifiable assets acquired	346,305
Provisional goodwill recognised (Note 13)	1,440,441
Total consideration transferred	1,786,746

(iii) *Effect on cash flows of the Group*

	Group 2019 USD
Total consideration for 100% equity interest acquired	1,786,746
Less: Non-cash consideration(1)	(1,786,746)
Consideration settled in cash	-
Less: Cash and cash equivalents of subsidiary acquired	(20,112)
Net cash inflow on acquisition	20,112

(1) The non-cash consideration for the acquisition consist of the issuance of 165,000,000 new ordinary shares of the Company of SGD0.015 (equivalent to USD0.011) per share, representing the volume weighted average price ("VWAP') for each share on 20 August 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Acquisition of subsidiaries (Continued)

Acquisition of Simplex Films Limited (Continued)

(iv) Revenue and profit contribution

The acquired subsidiary contributed revenues of USD44,000 and net profit of USD15,697 to the Group for the period from 20 August 2019 to 31 December 2019. If the acquisition had occurred on 1 January 2019, the Group revenue would have been USD27,614,602 and total loss would have been USD3,342,615.

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

(i) Constellation

During the financial year, the management performed impairment test for the investment in Constellation as the subsidiary is loss making. The assessment by management has resulted in an impairment loss of USD2,100,000 recognised for the year ended 31 December 2019 to write down this subsidiary to its recoverable amount of USD10,225,782. Key assumptions used in the assessment of recoverable amount is disclosed in Note 13.

A 1% decrease in forecasted revenue will result in the company recognising additional impairment loss of approximately USD400,000.

(ii) Novus

During the financial year, the management performed impairment test for the investment in Novus as the subsidiary is loss making. The assessment by management has resulted in an impairment loss of USD300,000 recognised for the year ended 31 December 2019 to write down this subsidiary to its recoverable amount of USD1,310,330. Key assumptions used in the assessment of recoverable amount is disclosed in Note 13.

A 1% decrease in forecasted revenue will result in the Company recognising additional impairment loss of approximately USD300,000.

(iii) SEGHK

During the financial year, the management performed impairment test for the investment in SEGHK as this subsidiary's net asset value is lower than the cost of investment. The assessment by management has resulted in an impairment loss of USD4,860,000 recognised for the year ended 31 December 2019 to write down this subsidiary to its recoverable amount of USD9,683,841.

The recoverable amount of the investment in SEGHK has been determined based on a value in use calculation using cash flow projections from forecasts of SEGHK and its subsidiaries ("SEGHK group") approved by management covering a four-year period and applying a terminal growth rate of 2% (2018: 2%) and pre-tax discount rate of 17% (2018: 17%). The forecasted revenue includes SEGHK group's share of profits from the films as producer which is estimated based on the number of ticket sales for each forecasted film production.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

(iii) SEGHK (Continued)

A 1% decrease in forecasted revenue will result in the Company recognising an additional impairment loss of approximately USD252,000.

(iv) Frame

During the financial year, the management performed impairment test for the investment in Frame as the subsidiary is loss making. Key assumptions used in the assessment of recoverable amount is disclosed in Note 13.

A 1% decrease in forecasted revenue will result in the Company recognising impairment loss of approximately USD63,000.

(v) Greenlight

During the financial year, the management performed impairment test for the investment in Greenlight as the subsidiary's net asset value is lower than the cost of investment. An impairment loss of USD60,000 was recognised for the year ended 31 December 2019 to write down this subsidiary to its recoverable amount of USD3,568,434. Key assumptions used in the assessment of recoverable amount is disclosed in Note 13.

A 1% decrease in forecasted revenue will result in the Company recognising an additional impairment loss of approximately USD63,000.

(vi) Noon

During the financial year, the management performed impairment test for the investment in Noon as the subsidiary is persistently loss making. Full impairment loss of USD91,256 was recognised for the year ended 31 December 2019.

The recoverable amount of the investment in Noon has been determined based on a value in use calculation using cash flow projections from forecasts approved by management covering a four-year period and applying a terminal growth rate of 0% (2018: 2%) and pre-tax discount rate of 9% (2018: 14%).

(vii) Simplex

During the financial year, the management performed impairment test for the investment in Simplex as the subsidiary's net asset value is lower than the cost of investment. The recoverable amount of the investment in Simplex has been determined based on a value in use calculation using cash flow projections from forecasts of Simplex approved by management covering a four-year period and applying a terminal growth rate of 1% and pre-tax discount rate of 16%. The forecasted revenue is estimated based on the number of ticket sales for each forecasted film production.

A 24% decrease in forecasted revenue would result in the recoverable amount of investment in Simplex to be equal to its carrying amount.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

18 INVESTMENT IN ASSOCIATED COMPANIES

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

	Group	
	2019	2018
	USD	USD
Carrying amount:		
Spackman Media Group Limited ("SMGL")	**21,186,722**	21,485,541
The Makers Studio Co., Ltd. ("The Makers")	**49,008**	201,200
	21,235,730	21,686,741

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 2019 %	Ownership interest held 2018 %
Held by Company				
Unquoted equity shares				
Spackman Media Group Limited ("SMGL")*	Hong Kong	Investment holding company	**43.88**	43.88
The Makers Studio Co., Ltd ("The Makers")**	Korea	Planning, production and distribution of films, television ("TV") dramas and performance	**20.00**	20.00

* Audited by Nexia Hong Kong.

** Audited by Nexia Samduk, Korea.

These associated companies are measured using the equity method.

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.

During the financial year, management computed the recoverable amount of the investment in SMGL based on fair value less costs to sell which is determined using price per share of share transfers between independent third parties of the associated company's shares during the current financial year. No impairment loss is recognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

18 INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

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

	2019 USD	2018 USD
Revenue	**22,556,969**	26,583,285
Loss after tax	**(544,852)**	(450,305)
Other comprehensive loss	**(310,872)**	(366,159)
Total comprehensive loss	**(855,724)**	(816,464)
Non-current assets	**8,651,291**	10,623,927
Current assets	**15,214,749**	16,881,891
Non-current liabilities	**(415,054)**	(15,196)
Current liabilities	**(8,771,434)**	(11,955,346)
Net assets	**14,679,552**	15,535,276
Non-controlling interest	**(140,244)**	(315,039)
Net assets attributable to equity holders	**14,539,308**	15,220,237
Group's share of net assets attributable to equity holders based on proportion of ownership interest	**6,380,395**	6,679,214
Goodwill on acquisition	**14,806,327**	14,806,327
Carrying amount of investment	**21,186,722**	21,485,541

Information (based on the Group's share of the results) about the Group's investment in The Makers that is not individually material are as follows:

	2019 USD	2018 USD
Loss after tax	**(15,037)**	(28,054)
Other comprehensive loss	**(1,554)**	–
Total comprehensive loss	**(16,591)**	(28,054)

During the financial year, management performed an assessment on the recoverable amount of the investment in The Makers determined based on a value in use calculation using cash flow projections from forecasts of The Makers approved by management covering a four-year period and applying a terminal growth rate of 2% and pre-tax discount rate of 16%. The forecasted revenue includes The Makers' share of profits from the films as producer which is estimated based on the number of ticket sales for each forecasted film production. The Company has recognised an impairment charge of USD135,601 (2018: USD Nil) during the financial year.

A 1% decrease in forecasted revenue will result in the Company recognising an additional impairment loss of approximately USD49,008.

NOTES TO THE FINANCIAL STATEMENTS

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19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	USD	**USD**	**USD**	**USD**
Non-current				
Financial assets measured at FVTPL				
(a) Unquoted equity investments in Singapore	**374,282**	459,530	**374,282**	459,530
(b) Investment in film funds	**–**	491,906	**–**	–
(d) Investment in insurance products	**721,614**	321,170	**–**	–
	1,095,896	1,272,606	**374,282**	459,530
Current				
Financial assets measured at FVTPL				
(b) Investment in film funds	**1,110,538**	1,386,500	**–**	–
(c) Investment in theatrical projects	**3,027,407**	2,884,212	**–**	–
(d) Investment in insurance products	**–**	325,877	**–**	–
	4,137,945	4,596,589	**–**	–
	5,233,841	5,869,195	**374,282**	459,530

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

The fair value of unquoted equity shares of one investee company is determined based on recent transacted prices of the investee company's equity as well as internal or external changes in the business and market environment that the investee operates in. The fair value measurement is categorised in Level 3 of the fair value hierarchy (Note 31).

The fair value of unquoted equity shares of the other investee company is determined using income approach based on discounted cash flow method and a discount rate of 8.7% (2018: 10.2%).

(b) Investment in film funds represents the Group's interest in private equity funds that focus on investments in the entertainment industry in Korea. The Group expects to earn returns on the investment by way of distribution of dividends. Management has assessed the fair value based on the net asset value of the underlying film fund as at 31 December 2019. This fair value measurement is categorised in Level 3 of the fair value hierarchy (Note 31).

(c) Investment in theatrical projects represents the Group's financing of production and marketing expenditure that are associated with specific film titles. The fair value of investment in theatrical projects is determined based on the stage of production of the underlying films. As the related films are in the early stages of production as at the balance sheet date, the fair value of the investments approximate the cost of the investments. The fair value measurement is categorised in Level 3 of the fair value hierarchy (Note 31).

As at 31 December 2019, investment in theatrical projects of USD42,429 (2018: USD83,141) were made from funds received from third party funders.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(d) The fair value of the investment in insurance products is determined by reference to the funds statements as at the balance sheet date provided by the respective investment managers. These are classified within Level 2 of the fair value hierarchy (Note 31).

20 CONTRACT ASSETS AND CONTRACT LIABILITIES

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

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

	Group		
	2019	**2018**	**1.1.2018**
	USD	**USD**	**USD**
Trade receivables from contracts with customers	**273,959**	471,869	3,097,432
Contract assets	**2,004,317**	2,038,131	398,207
Contract liabilities (non-current)	**1,325,762**	599,231	–
Contract liabilities (current)	**2,427,324**	2,901,308	3,016,502

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

	Group			
	Contract assets		Contract liabilities	
	2019	**2018**	**2019**	**2018**
	USD	**USD**	**USD**	**USD**
Revenue recognised that was included in the contract liability balance at the beginning of the year	**-**	–	**(727,095)**	(2,506,760)
Increases due to advances received, excluding amounts recognised as revenue during the year	**-**	–	**1,106,363**	3,076,881
Contract asset reclassified to trade receivables	**2,038,131**	398,207	**-**	–

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21 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019	2018	2019	2018
	USD	USD	USD	USD
Non-current				
Deposits	**720,548**	783,691	**–**	–
Current				
Trade receivables				
– Third parties	**774,659**	1,087,480	**19,724**	12,202
– Related parties	**61,425**	4,005	**–**	–
	836,084	1,091,485	**–**	–
Less: Allowance for impairment	**(562,125)**	(619,616)	**–**	–
	273,959	471,869	**19,724**	12,202
Short-term loans				
– Directors	**500,950**	518,737	**–**	–
– Related party	**483,834**	509,987	**–**	–
– Third parties	**919,029**	714,806	**–**	–
	1,903,813	1,743,530	**–**	–
Less: Allowance for impairment	**(235,875)**	(244,250)	**–**	–
	1,667,938	1,499,280	**–**	–
Other receivables				
– Subsidiary	**–**	–	**231,597**	163,369
– Associated company	**431,272**	365,009	**392,575**	360,455
– Third parties	**433,275**	136,272	**–**	–
	864,547	501,281	**624,172**	523,824
Less: Allowance for impairment	**(243,105)**	(82,640)	**(76,046)**	–
	621,442	418,641	**548,126**	523,824
Accrued interest	**198,462**	145,490	**67,579**	62,871
Less: Allowance for impairment	**(31,509)**	(24,471)	**(26,199)**	–
	166,953	121,019	**41,380**	62,871
Advance payments	**1,841,526**	1,121,627	**–**	43,926
Prepayments	**804,573**	928,508	**–**	16,063
Tax recoverable	**4**	73	**–**	–
Deposits	**723,725**	866,275	**64,691**	67,258
	3,369,828	2,916,483	**64,691**	127,247
	6,100,120	5,427,292	**673,921**	726,144

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

21 TRADE AND OTHER RECEIVABLES (CONTINUED)

The short-term loans to directors and third parties are unsecured, repayable on demand and interests are payable at 6.9% (2018: 6.9%) and between 3.0% to 6.9% (2018: 3.0% to 6.9%) per annum respectively.

The short-term loan to related party is unsecured, repayable on demand and interests are payable at 6.0% per annum.

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

Included in deposits was an amount of USD17,274 and USD17,887 for the years ended 31 December 2019 and 2018 respectively which had been pledged to banks as collateral for corporate credit cards.

22 CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	USD	**USD**	**USD**	**USD**
Bank and cash balances	**3,995,278**	2,522,350	**147,603**	285,117
Money market funds	**217,088**	221,790	**–**	–
	4,212,366	2,744,140	**147,603**	285,117

23 TRADE AND OTHER PAYABLES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	USD	**USD**	**USD**	**USD**
Trade payables				
– Third parties	**1,020,787**	818,060	**–**	–
Accrued operating expenses	**568,289**	807,466	**221,999**	132,262
Other payables				
– Subsidiary	**–**	–	**78,659**	204,654
– Third parties	**944,931**	275,840	**82,330**	–
– Related parties	**132,583**	85,142	**–**	–
– Directors of subsidiaries	**1,095,203**	681,513	**–**	–
Advances received from				
– Third parties	**130,033**	70,546	**–**	–
	3,891,826	2,738,567	**382,988**	336,916

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

Other payables to directors of the subsidiaries are non-trade in nature, bears interest at 4.6% (2018: 4.6%) and repayable on demand.

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24 BORROWINGS

	Repayment period	Group 2019 USD	Group 2018 USD	Company 2019 USD	Company 2018 USD
Non-current					
Third-parties:					
Term loan (secured) – average 6-months interest rate of bond insurance by banks in Korea	2020 – 2023	**993,263**	1,569,530	**–**	–
Term loan (secured) – 1.50%	2020	**–**	987,192	**–**	–
Finance lease liabilities (secured)	2021	**–**	764,162	**–**	–
Lease liabilities (secured)	2020 – 2022	**975,893**	–	**470,016**	–
Debenture – 2.81%	2022	**863,707**	–	**–**	–
Related parties:					
Subsidiaries – 2.00%	2021	**–**	–	**2,816,937**	–
		2,832,863	3,320,884	**3,286,953**	–
Current					
Third-parties:					
Term loans (secured) – fixed rates ranging from 1.50% to 6.83%	2020	**1,078,770**	–	**375,000**	–
Term loans (secured) – fixed rates ranging from 2.54% to 3.58%	2019	**–**	763,796	**–**	–
Third parties – 2.00% to 5.00%	2019 – 2020	**1,403,208**	400,000	**–**	–
Finance lease liabilities (secured)	2020	**–**	513,276	**–**	–
Lease liabilities (secured)	2020	**1,521,177**	–	**187,875**	–
Related parties:					
Associate – fixed rates from 2.00% to 4.60%	2020	**542,640**	40,000	**40,000**	40,000
Subsidiaries – 2.00%	2019	**–**	–	**–**	916,415
Subsidiaries – 2.00%	Repayable on demand	**–**	–	**–**	456,166
Director of subsidiary – 4.60%	Repayable on demand	**1,225,955**	–	**–**	–
		5,771,750	1,717,072	**602,875**	1,412,581
Total borrowings		**8,604,613**	5,037,956	**3,889,828**	1,412,581

(a) The term 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 12) and a personal guarantee by a subsidiary's chief executive officer.

NOTES TO THE FINANCIAL STATEMENTS

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24 BORROWINGS (CONTINUED)

(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.

(c) Finance lease liabilities

Finance lease liabilities were reclassified to lease liabilities on 1 January 2019 arising from the adoption of SFRS(I) 16. The impact of adoption is disclosed in Note 3.

	Group 2018	
	Minimum lease payments USD	**Present value USD**
Not later than one financial year	551,780	513,276
Later than one financial year but not later than five financial years	784,670	764,162
Total minimum lease payments	1,336,450	
Less: Future finance charges	(59,012)	
Present value of finance lease liabilities	1,277,438	1,277,438
Representing finance lease liabilities:		
Current	513,276	
Non-current	764,162	
	1,277,438	
Effective interest rates	3.3% to 4.5%	

The net book values of property, plant and equipment acquired under finance lease agreements are disclosed in Note 12.

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 as at 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24 BORROWINGS (CONTINUED)

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

	Bank loans and others USD	Lease liabilities USD	Advances received from directors' of subsidiaries USD	Film obligation and production loan USD	Total USD
2019					
Balance at 1 January 2019	**3,795,846**	**–**	**681,513**	**440,891**	**4,918,250**
Reclassification from finance lease liabilities on adoption of SFRS(I) 16	**–**	**1,277,438**	**–**	**–**	**1,277,438**
On adoption of SFRS(I) 16	**–**	**2,499,063**	**–**	**–**	**2,499,063**
Acquisition of subsidiaries	**370,309**	**–**	**–**	**–**	**370,309**
Changes from financing cash flows:					
– Proceeds	**5,309,500**	**–**	**1,045,499**	**–**	**6,354,999**
– Repayments	**(3,314,775)**	**(1,517,341)**	**(610,084)**	**(37,606)**	**(5,479,806)**
– Interest paid	**(173,441)**	**(118,850)**	**–**	**–**	**(292,291)**
Non-cash changes:					
– Interest expense	**173,441**	**118,850**	**–**	**–**	**292,291**
– New leases	**–**	**328,744**	**–**	**–**	**328,744**
Effect of changes in foreign exchange rates	**(53,337)**	**(90,834)**	**(21,725)**	**(15,373)**	**(181,269)**
Balance at 31 December 2019	**6,107,543**	**2,497,070**	**1,095,203**	**387,912**	**10,087,728**

	Bank loans and others USD	Finance lease liabilities USD	Advances received from directors' of subsidiaries USD	Film obligation and production loan USD	Total USD
2018					
Balance at 1 January 2018	2,719,806	1,472,284	1,218,256	2,578,626	7,988,972
Acquisition of subsidiaries	893,959	–	–	–	893,959
Changes from financing cash flows:					
– Proceeds	1,200,701	–	418,068	6,480,505	8,099,274
– Repayments	(945,361)	(633,528)	(825,508)	(6,116,968)	(8,521,365)
– Interest paid	(188,243)	(71,018)			(259,261)
Non-cash changes:					
– Interest expense	188,243	71,018	–	–	259,261
– New finance lease	–	498,018	–	–	498,018
– Fair value loss with respect to financial assets at FVTPL	–	–	–	(846,650)	(846,650)
- Investment in theatrical film projects	–	–	–	(1,431,856)	(1,431,856)
Effect of changes in foreign exchange rates	(108,587)	(59,336)	(129,303)	(222,766)	(519,992)
Balance at 31 December 2018	3,760,518	1,277,438	681,513	440,891	6,160,360

25 FILM OBLIGATIONS AND PRODUCTION LOANS

	Group	
	2019	**2018**
	USD	**USD**
Third parties	**387,912**	440,891

26 SHARE CAPITAL AND TREASURY SHARES

	Group and Company			
	No. of ordinary shares		Amount	
	Issued share capital	Treasury shares	Share capital USD	Treasury shares USD
2019				
Beginning of financial year	**1,040,614,708**	**(3,449,100)**	**64,410,807**	**(204,909)**
Purchase of treasury shares	**–**	**(18,200,000)**	**–**	**(260,117)**
Shares issued	**165,000,000**	**–**	**1,786,746**	**–**
End of financial year	**1,205,614,708**	**(21,649,100)**	**66,197,553**	**(465,026)**
2018				
Beginning of financial year	517,169,516	(1,699,100)	37,167,432	(134,041)
Purchase of treasury shares	–	(1,750,000)	–	(70,868)
Shares issued	523,445,192	–	27,243,375	–
End of financial year	1,040,614,708	(3,449,100)	64,410,807	(204,909)

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

The Company had on 20 August 2019 issued and allotted 165,000,000 new ordinary shares of the Company for USD1,786,746 in relation to the acquisition of 100% equity interest in Simplex Films Limited ("Simplex").

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 18,200,000 (2018: 1,750,000) shares in the Company in the open market during the financial year. The total amount paid to acquire the shares was USD260,117 (2018: USD70,868) and this was presented as a component within shareholders' equity.

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27 OTHER RESERVES

	Group	
	2019	2018
	USD	USD
Merger reserve	**(2,718,492)**	(2,718,492)
Currency translation reserve	**(55,677)**	389,532
	(2,774,169)	(2,328,960)

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

28 COMMITMENTS

Where the Group is a lessee

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

As at 31 December 2018, the future minimum lease payments under non-cancellable operating leases contracted for at balance sheet date, but not recognised as liabilities, are as follows:

	Group
	2018
	USD
Not later than one financial year	1,054,801
Between two and five years	237,976
	1,292,777

As disclosed in Note 3, the Group and the Company have adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the balance sheet as at 1 January 2019, except for short term and low value assets leases.

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.

NOTES TO THE FINANCIAL STATEMENTS

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28 COMMITMENTS (CONTINUED)

Where the Group is a lessor (Continued)

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

	Group 2018 USD
Not later than one financial year	977,308
Between two and five years	886,803
	1,864,111

29 LEASES

(a) The Group as a lessee

Nature of the Group's leasing activities

The Group's leasing activities comprise the following:

(i) The Group leases properties, motor vehicles and equipment from non-related parties under non-cancellable operating lease agreements. These leases have an average tenure of between one to three years, varying terms, escalation clauses and renewal options.

(ii) In addition, the Group leases certain office equipment with contractual terms of less than a year. These leases are short-term and/or low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

The maturity analysis of the lease liabilities is disclosed in Note 30(b).

Carrying amount of right-of-use assets

The carrying amount of the right-of-use assets are disclosed in Note 12. Information about leases for which the Group and the Company is a leasee is presented below:

	Group		Company	
	31.12.2019 USD	**1.1.2019 USD**	**31.12.2019 USD**	**1.1.2019 USD**
Classified within Property, plant and equipment				
Leasehold properties	**1,270,567**	2,089,645	**644,697**	838,106
Motor vehicle	**234,302**	409,418	**–**	–
Equipment	**550,710**	788,796	**–**	–
	2,055,579	3,287,859	**644,697**	838,106

NOTES TO THE FINANCIAL STATEMENTS

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29 LEASES (CONTINUED)

(a) The Group as a lessee (Continued)

Nature of the Group's leasing activities (Continued)

Amounts recognised in profit or loss

	31.12.2019 USD
Depreciation charge for the year	
Leasehold properties	**766,377**
Motor vehicle	**175,116**
Equipment	**149,808**
	1,091,301

Lease expense not included in the measurement of lease liabilities

	Group 2019 USD	Company 2019 USD
Lease expense – short term leases	**134,929**	**–**
Lease expense – low value assets leases	**40,341**	**–**
	175,270	**–**

Total cash flow for leases amounted to USD1,811,461.

Extension options

The leases of certain properties contain extension options, for which the related lease payments had not been included in the lease liabilities as the Group is not reasonably certain to extend the lease. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group.

(b) The Group as a lessor

The Group and the Company leased out its camera and lighting equipment and office premise space to a third party for monthly lease payments. The lease is classified as an operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred.

Rental income from leasing of camera and lighting equipment and office premise space are disclosed in Note 5 and Note 6a respectively.

29 LEASES (CONTINUED)

(b) The Group as a lessor (Continued)

The following table shows the maturity analysis of the undiscounted lease payments to be received:

	Group 2019 USD	Company 2019 USD
Within one year	**270,147**	**21,210**
After one year but within five years	**15,201**	**49,491**

30 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

	Group		Company	
	2019 USD	2018 USD	2019 USD	2018 USD
Financial assets				
Financial assets at fair value through profit or loss	**5,233,841**	5,869,195	**374,282**	459,530
Financial assets at amortised cost	**8,386,931**	6,904,915	**1,297,800**	2,360,272
	13,620,773	12,774,110	**1,672,082**	2,819,802
Financial liabilities				
Financial liabilities at amortised costs	**12,293,675**	7,620,835	**4,272,816**	1,749,497
Financial liabilities at fair value through profit or loss	**387,912**	440,891	**–**	–
	12,681,587	8,061,726	**4,272,816**	1,749,497

(b) Financial risk management objectives and policies

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

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

Foreign currency risk

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

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

30 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Foreign currency risk (Continued)

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

Denominated in SGD	2019 USD	2018 USD
Group		
Cash and cash equivalents	**115,837**	254,452
Company		
Cash and cash equivalents	**98,981**	254,449

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

Interest rate risk

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

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

Credit risk

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

30 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

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

Description of evaluation of financial assets	Basis for recognition and measurement of ECL
Counterparty has a low risk of default and does not have any past due amounts	12-month ECL
Contractual payments are more than 30 days past due or where there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
Contractual payments are more than 120 days past due or there is evidence of credit impairment	Lifetime ECL – credit-impaired
There is evidence indicating that the Group has no reasonable expectation of recovery of payments such as when the debtor has been placed under liquidation or has entered into bankruptcy proceedings	Write-off

Significant increase in credit risk

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

30 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Significant increase in credit risk (Continued)

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

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

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

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

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

Definition of default

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

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

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

30 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Credit-impaired financial assets

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

Estimation techniques and significant assumptions

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

Maximum exposure and concentration of credit risk

At the end of the reporting period, the Group's trade receivables comprise 2 debtors (2018: 1 debtor) that represented 59% (2018: 56%) of total trade receivables. The Company has no significant concentration of credit risk except for the amounts due from subsidiary and associated company as disclosed in Note 21.

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

Trade receivables and contract assets

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

30 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Trade receivables and contract assets (Continued)

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

Group 2019	12-month or lifetime ECL	Gross carrying amount USD	Loss allowance USD	Net carrying amount USD
Trade receivables	Lifetime	836,084	(562,125)	273,959
Contract assets	Lifetime	2,004,317	–	2,004,317
Other receivables	Lifetime	243,105	(243,105)	–
	12-month	621,442		621,442
Short-term loans	Lifetime	1,903,813	(235,875)	1,667,938
Deposits	12-month	1,444,273	–	1,444,273
Accrued income	Lifetime	198,462	(31,509)	166,953
Cash and cash equivalents	Not applicable (Exposure limited)	4,212,366	–	4,212,366

Group 2018	12-month or lifetime ECL	Gross carrying amount USD	Loss allowance USD	Net carrying amount USD
Trade receivables	Lifetime	1,091,485	(619,616)	471,869
Contract assets	Lifetime	2,038,131	–	2,038,131
Other receivables	Lifetime	82,640	(82,640)	–
	12-month	418,641	–	418,641
Short-term loans	Lifetime	249,806	(244,250)	5,556
	12-month	1,493,724	–	1,493,724
Deposits	12-month	1,649,966	–	1,649,966
Accrued income	Lifetime	145,490	(24,471)	121,019
Cash and cash equivalents	Not applicable (Exposure limited)	2,744,140	–	2,744,140

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

30 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Trade receivables and contract assets (Continued)

Company 2019	12-month or lifetime ECL	Gross carrying amount USD	Loss allowance USD	Net carrying amount USD
Trade receivables	Lifetime	19,724	–	19,724
Other receivables	12-month	624,172	(76,046)	548,126
Deposits	12-month	64,691	–	64,691
Accrued income	Lifetime	67,579	(26,199)	41,380
Loan to subsidiaries	Lifetime	995,570	(995,570)	–
	12-month	496,000	–	496,000
Cash and cash equivalents	Not applicable (Exposure limited)	147,603	–	147,603

Company 2018	12-month or lifetime ECL	Gross carrying amount USD	Loss allowance USD	Net carrying amount USD
Trade receivables	Lifetime	12,202	–	12,202
Other receivables	12-month	523,824	–	523,824
Deposits	12-month	67,258	–	67,258
Accrued income	Lifetime	62,871	–	62,871
Loan to subsidiaries	12-month	1,409,000	–	1,409,000
Cash and cash equivalents	Not applicable (Exposure limited)	285,117	–	285,117

Short term loans and loans to subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

30 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Movements in credit loss allowance

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

	Trade receivables USD	Other receivables USD	Short-term loans USD	Accrued income USD
Group				
Balance at 1 January 2019	**619,616**	**82,640**	**244,250**	**24,471**
Loss allowance measured/ (reversed):				
Lifetime ECL				
– credit-impaired	**4,785**	**161,163**	**–**	**5,487**
– reversal of loss allowance	**(17,309)**	**–**	**(6,068)**	**–**
Effect of changes in foreign currency exchange rates	**(44,967)**	**(698)**	**(2,307)**	**1,551**
Balance at 31 December 2019	**562,125**	**243,105**	**235,875**	**31,509**
Group				
Balance at 1 January 2018	66,336	86,242	254,896	20,682
Loss allowance measured/ (reversed):				
Lifetime ECL				
– credit-impaired	565,047	–	–	4,728
Effect of changes in foreign currency exchange rates	(11,767)	(3,602)	(10,646)	(939)
Balance at 31 December 2018	619,616	82,640	244,250	24,471

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

30 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Movements in credit loss allowance (Continued)

	Other receivables USD	Accrued income USD
Company		
Balance at 1 January 2018, 31 December 2018 and 1 January 2019	-	-
Loss allowance measured/(reversed):		
Lifetime ECL		
– credit-impaired	**76,046**	**26,199**
Balance at 31 December 2019	**76,046**	**26,199**

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

30 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Within 1 year USD	2 to 5 years USD	More than 5 years USD	Total USD
Group				
2019				
Trade and other payables	**3,891,061**	**–**	**–**	**3,891,061**
Film obligations and production loans	**387,912**	**–**	**–**	**387,912**
Borrowings	**4,469,038**	**2,033,963**	**–**	**6,503,001**
Lease liabilities	**1,595,922**	**1,025,193**	**–**	**2,621,115**
2018				
Trade and other payables	2,738,567	–	–	2,738,567
Film obligations and production loans	440,891	–	–	440,891
Borrowings	1,409,936	2,731,411	–	4,141,347
Lease liabilities	537,204	800,054	–	1,337,258
Company				
2019				
Trade and other payables	**382,988**	**–**	**–**	**382,988**
Borrowings	**646,292**	**3,367,340**	**–**	**4,013,632**
2018				
Trade and other payables	336,916	–	–	336,916
Borrowings	1,440,833	–	–	1,440,833

31 FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

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

The level of fair value hierarchy for financial assets measured at fair value on the balance sheet at 31 December 2019 are disclosed in Note 19.

(c) Movements in Level 3 assets measured at fair value

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

	Investment in theatrical projects		Unquoted equity investments		Investment in film funds	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	USD	**USD**	**USD**	**USD**	**USD**	**USD**
Group						
Balance at beginning year	**2,884,212**	3,517,404	**459,530**	459,530	**1,878,406**	2,015,046
Acquisition of subsidiaries	**–**	1,690,572	**–**	–	**–**	–
Additions	**2,144,726**	1,969,399	**–**	–	**–**	491,906
Disposals	**(1,981,326)**	(4,165,724)	**–**	–	**(499,574)**	(480,706)
Fair value loss with respect to financial assets at FVTPL	**–**	–	**(85,248)**	–	**(204,442)**	(74,594)
Currency translation differences	**(20,205)**	(127,439)	**–**	–	**(63,852)**	(73,246)
Balance at end of financial year	**3,027,407**	2,884,212	**374,282**	459,530	**1,110,538**	1,878,406
Total losses for the year included in:						
Profit or loss						
Fair value loss with respect to financial assets at FVTPL	**–**	–	**(85,648)**	–	**(204,442)**	(74,594)
Other comprehensive loss						
Currency translation differences arising from consolidation	**(20,205)**	(127,439)	**–**	–	**(63,852)**	(73,246)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32 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	
	2019	**2018**
	USD	**USD**
Associated companies		
Income		
Revenue	**199,637**	–
Rental income	**59,493**	95,485
Interest income	**73,410**	49,541
Other income	**8,718**	18,731
Expense		
Interest expenses	**31,288**	169
Cost of sales	**145,000**	–
Loan to	**–**	483,834
Loan from	**535,948**	40,000
Shareholder		
Rental expenses	**–**	91,668
Director		
Loan to	**–**	518,737
Directors of subsidiaries		
Loan from	**1,225,955**	–
Other payables	**1,045,499**	–

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

33 SEGMENT INFORMATION

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

33 SEGMENT INFORMATION (CONTINUED)

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

	Distribution of films		Production of films		Leasing of equipment		Others		Total	
	2019 USD	2018 USD	2019 USD	2018 USD	2019 USD	2018 USD	2019 USD	2018 USD	2019 USD	2018 USD
Revenue	**3,817,293**	6,412,540	**12,212,117**	8,786,666	**2,195,538**	4,144,127	**1,869,634**	2,330,637	**20,094,582**	21,673,970
Cost of sales	**(3,173,756)**	(4,542,954)	**(8,559,516)**	(7,747,857)	**(951,443)**	(910,617)	**(593,291)**	(702,169)	**(13,278,006)**	(13,903,597)
Share of results of associated companies	**-**	-	**-**	-	**-**	-	**(201,631)**	(173,748)	**(201,631)**	(173,748)
Loss on disposal of property, plant and equipment	**-**	-	**-**	-	**(1,386)**	(227,756)	**-**	-	**(1,386)**	(227,756)
Reversal of loss on film borne by external investors	**(1,940)**	(6,785)	**-**	-	**-**	-	**-**	-	**(1,940)**	(6,785)
Impairment loss on film production inventories	**(28,270)**	(30,651)	**-**	-	**-**	-	**-**	-	**(28,270)**	(30,651)
Impairment of goodwill	**-**	-	**-**	-	**(745,000)**	-	**(501,000)**	-	**(1,246,000)**	-
Impairment of investment in associated companies	**-**	-	**-**	-	**-**	-	**(135,601)**	-	**(135,601)**	-
Segment gross results	**613,327**	1,832,150	**3,652,601**	1,038,809	**497,709**	3,005,754	**438,111**	1,454,720	**5,201,748**	7,331,433
Selling expenses and general and administrative expenses (exclude depreciation and amortisation)	**(955,519)**	(1,811,017)	**(3,056,855)**	(2,481,513)	**(549,572)**	(1,170,376)	**(467,994)**	(658,215)	**(5,029,940)**	(6,121,121)
Segment net results	**342,192**	21,133	**595,746**	(1,442,704)	**(51,863)**	1,835,378	**(29,883)**	796,505	**171,808**	1,210,312
Unallocated other income:										
Other income and gains									**439,260**	639,176
Interest income									**142,030**	91,862
Unallocated expenses:										
Depreciation and amortisation									**(2,624,618)**	(2,591,377)
Other expenses									**(923,058)**	(490,777)
Finance costs									**(292,291)**	(259,261)
Loss before tax									**(3,086,869)**	(1,400,065)
Tax expense									**(346,954)**	(324,222)
Loss for the year									**(3,433,823)**	(1,724,287)
Segment assets	**1,891,758**	2,583,076	**7,182,400**	4,258,253	**3,455,578**	6,049,487	**34,912,153**	36,411,727	**47,441,889**	49,302,543
Unallocated assets									**22,681,652**	18,244,269
Total assets									**70,123,541**	67,546,812
Segment assets includes:										
Investment in associated companies	**-**	-	**-**	-	**-**	-	**21,235,730**	21,686,745	**21,235,730**	21,686,745
Additions to non-current assets	**-**	33,159	**25,892**	29,719	**985,280**	2,315,837	**213,285**	436,945	**1,224,457**	2,815,660
Segment liabilities	**980,565**	716,475	**3,136,981**	981,736	**1,606,972**	463,024	**480,261**	1,537,841	**6,204,779**	3,699,076
Unallocated liabilities									**12,213,446**	9,719,746
Total liabilities									**18,418,225**	13,418,822

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

33 SEGMENT INFORMATION (CONTINUED)

Segment results

Performance of each segment is evaluated based on segment profit or loss which is measured differently from the net profit or loss before tax in the consolidated financial statements. Interest income and finance expenses are not allocated to segments as Group financing is managed on a group basis.

Sales between operating segments are on an arm's length or other basis of measurement basis in a manner similar to transactions with third parties.

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), other receivables, financial assets at fair value through profit or loss, deferred tax assets, inventories and cash and cash equivalents which are classified as unallocated assets.

Segment liabilities

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

Geographical information

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

Information about major customers

Revenue from four (2018: one) external customers who individually contributed 10% or more of the Group's revenue and are attributable to the segments as detailed below:

	Attributable segments	**2019** **USD**	**2018** **USD**
Customer 1	Production and distribution of films	**3,874,261**	-
Customer 2	Production and distribution of films	**2,279,289**	12,156,094
Customer 3	Distribution of films	**5,555,765**	-
Customer 4	Distribution of films	**2,387,060**	-
		14,096,367	12,156,094

34 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 2018.

35 AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors dated 6 April 2020.

STATISTICS OF SHAREHOLDINGS

As at 17 March 2020

Issued and paid-up capital	:	S$95,137,806.31
Number of issued shares (including treasury shares)	:	1,205,614,708
Class of shares	:	Ordinary
Number of treasury shares	:	27,568,500
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	8	0.41	224	0.00
100 – 1,000	30	1.55	16,800	0.00
1,001 – 10,000	176	9.08	1,320,000	0.11
10,001 – 1,000,000	1,604	82.72	299,105,734	25.39
1,000,001 and above	121	6.24	877,603,450	74.50
TOTAL	**1,939**	**100.00**	**1,178,046,208**	**100.00**

TWENTY THREE LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	UOB KAY HIAN PTE LTD	94,653,341	8.03
2	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	62,267,546	5.29
3	SPACKMAN EQUITIES GROUP INC.	62,000,000	5.26
4	THE H FACTORY PTE LTD	58,042,268	4.93
5	SMALLTALK PRODUCTION HOUSE PTE LTD	55,178,657	4.68
6	DBS NOMINEES PTE LTD	51,727,400	4.39
7	CELESTE PARTNERS PTE LTD	31,870,066	2.71
8	PHILLIP SECURITIES PTE LTD	25,725,400	2.18
9	LEE YOO JIN	23,160,000	1.97
10	CITIBANK NOMINEES SINGAPORE PTE LTD	21,264,100	1.81
11	RAFFLES NOMINEES (PTE) LIMITED	20,174,369	1.71
12	LECK HANG WEI	18,001,000	1.53
13	LIM JI YOUNG	17,516,226	1.49
14	MAYBANK KIM ENG SECURITIES PTE. LTD	16,930,700	1.44
15	OCBC SECURITIES PRIVATE LTD	16,080,000	1.36
16	HSBC (SINGAPORE) NOMINEES PTE LTD	13,971,200	1.19
17	VAARA PTE LTD	12,403,710	1.05
18	QUEK HAN BOON	11,772,800	1.00
19	IFAST FINANCIAL PTE LTD	10,199,400	0.87
20	LEE MUN CHEONG	8,200,000	0.70
	TOTAL	**631,138,183**	**53.59**

STATISTICS OF SHAREHOLDINGS

As at 17 March 2020

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
NAME OF SHAREHOLDER	NO. OF SHARES	%	NO. OF SHARES	%
SPACKMAN EQUITIES GROUP INC.	143,521,000	12.18	–	–
TAN CHONG KOAY	–	–	68,865,800[1]	5.85[1]

Note:

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

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

On the basis of the information available to the Company as at 17 March 2020, approximately 79.54% 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.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Kay Na and Mr Yoo Jin Lee are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on 30 April 2020 ("**AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(5) of the Catalist Rules, the information relating to the Retiring Directors as set out in Appendix 7F of the Catalist Rules is set out below:

	Mr Kay Na	Ms Yoo Jin Lee
Date of Appointment	18 January 2018	20 June 2014
Date of last re-appointment	26 April 2018	26 April 2018
Age	45	52
Country of principal residence	Singapore	South Korea
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered the recommendation of the Nominating Committee, and having assessed Mr Kay Na's prior working experience and qualifications, is of the view that he has requisite experiences and capabilities to assume the responsibility as Chief Operating Officer, President and Executive Director of the Company.	The Board of Directors of the Company has considered the recommendation of the Nominating Committee, and having assessed Ms Yoo Jin Lee's prior working experience and qualifications, is of the view that she has requisite experiences and capabilities to assume the responsibility as Executive Director and Chief Producer of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive	Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	1. Member of the Nominating Committee 2. Joint Company Secretary	1. Executive Director 2. Chief Producer
Professional qualifications	Please refer to page 24 of the Annual Report	Please refer to page 24 of the Annual Report
Working experience and occupation(s) during the past 10 years	Please refer to page 24 of the Annual Report	Please refer to page 24 of the Annual Report
Shareholding interest in the listed issuer and its subsidiaries	1,026,800 ordinary shares of the Company (0.09%)	23,160,000 ordinary shares of the Company (1.97%)
Any relationship (including immediate family relationships with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Kay Na	Ms Yoo Jin Lee
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* Including Directorships# * "Principal Commitments" has the same meaning as defined in the Code. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)	Spackman Equities Group Inc. Spackman Media Group Limited Spackman Media Group Pte. Ltd. Constellation Agency Pte. Ltd. Take Pictures Pte. Ltd.	Spackman Entertainment Korea Inc. Spackman Entertainment Group (HK) Limited Zip Cinema Co., Ltd.
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Kay Na	Ms Yoo Jin Lee
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Kay Na	Ms Yoo Jin Lee
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Kay Na	Ms Yoo Jin Lee
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?		
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Yes Mr Kay Na is presently an Executive Director of the Company.	Yes Ms Yoo Jin Lee is presently an Executive Director of the Company.

ANNUAL GENERAL MEETING IN 2020

SPACKMAN ENTERTAINMENT GROUP LIMITED

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

1. Following announcement by the Multi-Ministry Taskforce on COVID-19 on 3 April 2020 on the enhanced measures to deal with the COVID-19 situation, all workplaces (except those providing essential services and in selected economic sectors) are required to be closed from 7 April 2020 to 4 May 2020.

2. As a result, Spackman Entertainment Group Limited ("**Company**") is not able to hold its Annual General Meeting ("**AGM**") on or before 30 April 2020 as is required pursuant to Rule 707(1) of the Listing Manual – Section B: Rules of Catalist ("**Catalist Rules**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") which provides that *"an issuer must hold its annual general meeting within four months from the end of its financial year"*.

3. The Company had received approval from the Singapore Exchange Regulation ("SGX RegCo") and the Accounting and Corporate Regulatory Authority, to hold its AGM by 29 June 2020. The Company will make further announcement(s) once details of the AGM has been finalised.

Resolutions to be approved at the AGM

This Annual Report is in respect of the operations and financial statements for the financial year ended 31 December 2019. When the Company is in the position to release the Notice of the AGM, the following agenda items will be tabled:

As Ordinary Resolution

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the financial year ended 31 December 2019 together with the Auditors' Report thereon.
(Resolution 1)

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

   Ms. Eugene Lee will, upon re-election as a Director of the Company, remain as an Executive Director and Chief Producer of the Company.
   [See Explanatory Note (a)] **(Resolution 2)**

3. To re-elect 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, upon re-election as a Director of the Company, remain as Chief Operating Officer, President, Executive Director and Joint Company Secretary of the Company.
   [See Explanatory Note (b)] **(Resolution 3)**

4. To approve the payment of Directors' fees of US$108,000 (2019: US$108,000) for the financial year ending 31 December 2020, to be paid quarterly in arrears.
(Resolution 4)

ANNUAL GENERAL MEETING IN 2020

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

(Resolution 5)

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

AS SPECIAL BUSINESS

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

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

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

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

   THAT

   (a) for the purposes of Sections 76C and 76E of the Act, the Directors of the Company be and are hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire Shares not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

      (i) market purchases (each a "**Market Purchase**") on the SGX-ST; and/or

      (ii) off-market purchases (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors of the Company as they consider fit, which schemes shall satisfy all the conditions prescribed by the Act,

      and otherwise in accordance with all other laws and regulations, including but not limited to, the Company's Constitution, the provisions of the Act and the Catalist Rules as may for the time being be applicable (the "**Share Buy Back Mandate**");

   (b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buy Back Mandate shall, at the discretion of the Directors of the Company, either be cancelled or held in treasury and dealt with in accordance with the Act;

ANNUAL GENERAL MEETING IN 2020

(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

ANNUAL GENERAL MEETING IN 2020

(e) any of the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents), as they or he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this Resolution.

[See Explanatory Note (d)] **(Resolution 7)**

Explanatory Notes:

(a) Information on Ms. Eugene Lee can be found on page 24 of the annual report.

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

(c) The Resolution 6 in item 7, if passed, will authorise the Directors of the Company, effective until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to offer and grant options in accordance with the provisions of the ESOS and to allot and issue new shares in the Company pursuant to the exercise of any Options already granted and accepted under the ESOS and such other share-based incentive schemes of the Company up to a number not exceeding fifteen per cent. (15%) of the total number of issued shares (including treasury shares) in the capital of the Company on the day preceding that date of the relevant grant. The ESOS was approved by the shareholders of the Company on 20 June 2014.

(d) The Resolution 7 in item 8, if passed, will authorise the Directors of the Company, from the date of the annual general meeting until the next annual general meeting or the date by which the next annual general meeting of the Company is required by law to be held or when varied or revoked by the Company in general meeting, whichever is earlier, to purchase or acquire up to ten per cent. (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings), at prices up to but not exceeding the Maximum Price (as defined above), as at the date of the passing of this Resolution 7. Details the proposed renewal of the Share Buy Back Mandate are set out in the Appendix accompanying this annual report.

EXTRAORDINARY GENERAL MEETING IN 2020

SPACKMAN ENTERTAINMENT GROUP LIMITED

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

1. Following announcement by the Multi-Ministry Taskforce on COVID-19 on 3 April 2020 on the enhanced measures to deal with the COVID-19 situation, all workplaces (except those providing essential services and in selected economic sectors) are required to be closed from 7 April 2020 to 4 May 2020.

2. Spackman Entertainment Group Limited ("**Company**") intends to hold an Extraordinary General Meeting ("**EGM**") immediately after its Annual General Meeting ("**AGM**").

3. The Company had received approval from the Singapore Exchange Regulation ("SGX RegCo") and the Accounting and Corporate Regulatory Authority, to hold its AGM by 29 June 2020. The Company will make further announcement(s) once details of the AGM has been finalised. Consequently the EGM (that will be held on the same date as the AGM), will be postponed to a future date to be announced.

Resolution to be approved at the EGM

When the Company is in the position to release the Notice of the EGM, it will be for the purpose of considering and, if thought fit, passing with or without any modifications, the following special resolution:

SPECIAL RESOLUTION

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

EXTRAORDINARY GENERAL MEETING IN 2020

(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, whether on a pro rata or non pro rata basis, 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), 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;

(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 (a)]

Explanatory Notes:

(a) This Resolution, 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, 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, whether on a pro rata or non pro rata basis, 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.

spackmanentertainmentgroup

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

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