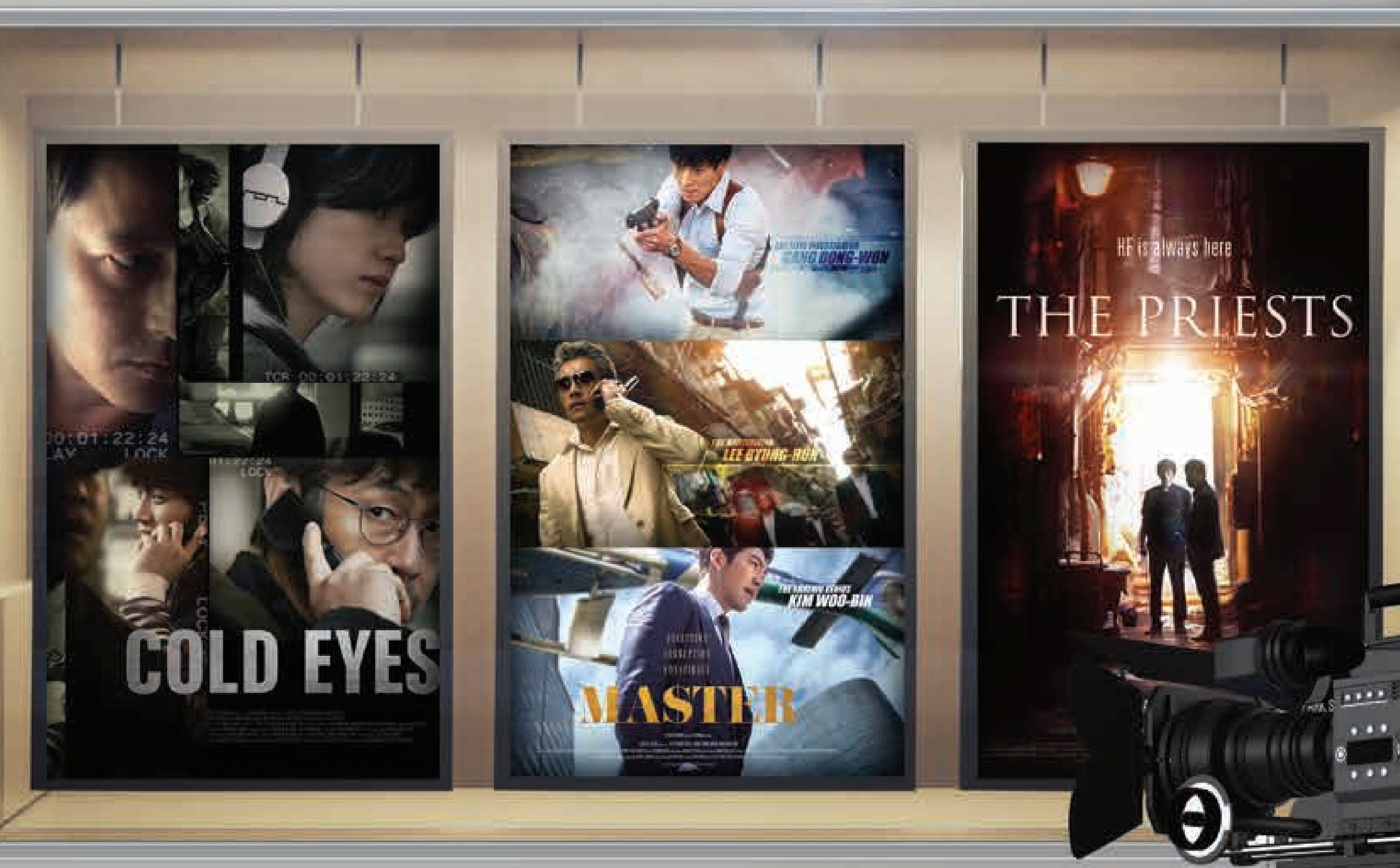
spackmanentertainmentgroup



ANNUAL REPORT 2016

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This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**") for compliance with the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this annual report.

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

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

CORPORATE PROFILE

ABOUT SPACKMAN ENTERTAINMENT GROUP

Listed on the Catalist of the Singapore Exchange Securities Trading Limited on 22 July 2014, Spackman Entertainment Group Limited ("**SEGL**"), and together with its subsidiaries, (the "**Group**") is a leading entertainment production company that is primarily engaged in the independent development, production, presentation, and financing of theatrical motion pictures in Korea. In addition to our film business, we also make investments into entertainment companies and film funds that can financially and strategically complement our existing core operations.

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

SEGL also owns 51% of the equity interest of Novus Mediacorp Co., Ltd. ("**Novus Mediacorp**"), an investor, presenter, and/or ancillary distributor for a total of 75 films (52 Korean and 23 foreign) including *SECRETLY, GREATLY*, which was one of the biggest box office hits of 2013 starring Kim Soo-hyun of *MY LOVE FROM THE STARS* fame, as well 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. For more information on Novus Mediacorp, do visit http://novusmediacorp.com

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

The Group also operates a café-lounge called Upper West, in the Gangnam district of Seoul and own a professional photography studio, noon pictures Co., Ltd.. For more details, do visit http://www.spackmanentertainmentgroup.com/

SPACKMAN MEDIA GROUP LIMITED

The Group is a strategic shareholder of Spackman Media Group Limited ("**SMGL**"). SMGL, a company incorporated in Hong Kong, together with its subsidiaries, collectively is the leading talent agency and entertainment content production company in Korea, managing over 60 artistes including some of the top names in the Korean entertainment industry. SMGL operates the talent management business through renowned agencies such as MS Team Entertainment Co., Ltd., UAA & Co Inc., Fiftyone K Inc., SBD Entertainment Inc., Kook Entertainment Co., Ltd., and UL Entertainment Co., Ltd.

SMGL, through its full-service talent agencies in Korea, represents and guides the professional careers of a leading roster of over 60 award-winning actors/actresses in the practice areas of motion pictures, television, commercial endorsements, and branded entertainment. SMGL leverages its unparalleled portfolio of artistes as a platform to develop, produce, finance and own the highest quality of entertainment content projects, including theatrical motion pictures, variety shows, and TV dramas.

CHAIRMAN'S MESSAGE

Dear valued shareholders,

On behalf of the Board of Spackman Entertainment Group Limited ("**Spackman Entertainment Group**" or the "**Company**" and together with its subsidiaries, the "**Group**"), I wish to present our annual report for the financial year ended 31 December 2016 ("**FY2016**").

SECTOR OVERVIEW

The South Korean film market continued to be resilient in 2016, remaining relatively stable as compared to the previous year despite various geo-political challenges. The sector posted a 1.6% increase in gross box office revenue to KRW1.7 trillion (or US$1.5 billion) and a 0.1% year-on-year decrease in admissions to 217.0 million for 2016. The number of Korean moviegoers surpassed the 200 million mark for the fourth consecutive year since 2013. Local South Korean movies attracted more than 100 million audiences for the fifth consecutive year since 2012[1].

GROUP'S PERFORMANCE REVIEW

The Group reported a total revenue of US$15.1 million, a 15% decrease year-on-year, mainly due to a US$12.4 million decrease from distribution of films. The lower revenue from distribution of films was primarily due to lackluster performance of four films released in FY2016, comprising Opus Pictures' *CHASING*, *MUSUDAN* and *ONE MORE TIME* and Novus Mediacorp's *LIFE RISKING ROMANCE*.

In FY2016, we recorded a net loss of US$2.6 million mainly as a result of lower revenue from the distribution of films, higher cost of sales from higher film production budget of *MASTER* and unrecognized revenue from share of profit for acting as the producer in FY2016 for *MASTER* due to the timing of its theatre release.

Our crime-action film, *MASTER*, opened #1 at the South Korean box office on the first day of its wide release on 21 December 2016. The ticket admissions and the number of opening screens for the first day of *MASTER* marks the highest December opening in the historical records of the Korean box office. *MASTER* sold over 7.1 million tickets and grossed over KRW58.0 billion in South Korea[1].

Besides opening #1 at the South Korean box office, *MASTER* also received strong interest from international distributors before its release. It was presold to more than 30 countries including the United States, Canada, Australia, New Zealand, Italy, Taiwan, Hong Kong, Singapore, Thailand and Philippines.

ON TRACK FOR TURNAROUND

During 2016, we took some important steps to reposition ourselves for the future and build shareholders' value in the long term. In August 2016, we completed the disposal of the Group's entire equity interest in its indirect wholly-owned subsidiary, Opus Pictures Limited Liability Company ("**Opus Pictures**"). Opus Pictures had been loss making since the financial year ended 31 December 2014 and incurred a substantial portion of the Group's total selling and general and administrative expenses ("**SG&A**") in the financial year ended 31 December 2015 and FY2016. The financial year ending 31 December 2017 ("**FY2017**") will be the first fiscal year without Opus Pictures for the Group. Without Opus Pictures, we expect to reduce our fixed overheads and operating expenses significantly.

Source: [1]Korean Film Council (KOFIC): www.koreanfilm.or.kr

We expect earnings from *MASTER* to be likely reflected in the first quarter of FY2017 as the film was first screened near the end of December 2016. We believe we are on track for a recovery in FY2017 in light of the full divestment of loss-making Opus Pictures and earnings recognition from *MASTER*.

Our upcoming manhunt thriller movie, *GOLDEN SLUMBER*, starring Gang Dong-won and Han Hyo-joo, is slated to be released in FY2017. The film, which is produced by Zip Cinema and distributed by CJ E&M, had commenced filming in late January 2017. *GOLDEN SLUMBER* is expected to be released in Korean theatres by the second half of 2017.

STRATEGY

In our objective to be a leading entertainment group, we adopt a strategy encompassing acquisitions, investments, content creation, and partnerships. We seek to make acquisitions of entertainment companies that can financially and strategically complement our existing core operations. In terms of content creation, we strive to develop and produce only the best films in terms of quality and commercial viability. We also uniquely make direct investment into films produced by our production companies and/or premium Korean content. Moreover, we are strengthening our partnerships, joint ventures and strategic alliances with related media and entertainment companies.

Looking ahead, we hope that FY2017 will be a year of new opportunities and growth as we continue to take steps to deliver creative and top quality Korean content to our audience within and beyond Korea.

SPACKMAN MEDIA GROUP LIMITED

With its leading roster of over 60 award-wining actors and actresses, Spackman Media Group Limited ("**SMGL**") is one of the largest entertainment talent agencies in Korea in terms of the number of artistes under management. As a strategic shareholder of SMGL, we intend to leverage on this talent management platform and form collaborative partnerships to expand our footprint in Southeast Asia. Through new business ventures, we shall actively explore acquisition and investment opportunities to diversify our revenue stream in the region.

Amid the political and economic headwinds facing South Korea today, we believe our listing status in Singapore places us in a unique position to mitigate business risks in China and to capture the growing demand for quality Korean content in Southeast Asia.

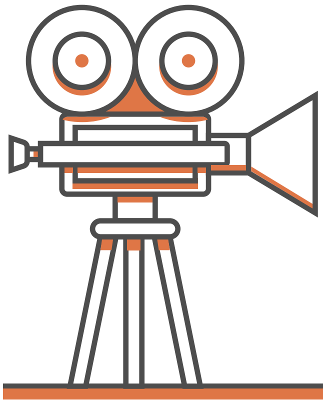
The Group had previously on 24 August 2015 announced that SMGL and/or its affiliates are seeking a listing in Hong Kong and SMGL had engaged KGI Capital Asia Limited as a sponsor for the proposed listing. The preparation work for the proposed listing is still in progress and the Company will make the necessary announcements as and when there are any material updates. Recently, we are also considering other listing options other than Hong Kong. We will select a listing option that we believe can maximize shareholder value for SMGL.

IN APPRECIATION

I would like to take this opportunity to extend my heartfelt appreciation to our stakeholders, including our shareholders, business partners and associates for their faith and support in Spackman Entertainment Group. As Executive Chairman, I would also like to thank my fellow board members, our dedicated management team and staff for their commitment to the Group.

Charles Spackman
Executive Chairman and CEO

FINANCIAL HIGHLIGHTS (All figures in US$)

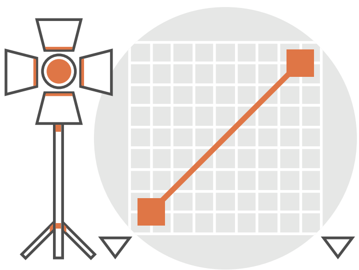


REVENUE
FY 2016 ↓
15.1 MILLION
17.8 MILLION
FY 2015

GROSS (LOSS)/ PROFIT
FY 2016 ↓
(4.0) MILLION
7.8 MILLION
FY 2015

TOTAL LIABILITIES
31 Dec 2016 ↓
8.8 MILLION
40.6 MILLION
31 Dec 2015

CURRENT RATIO
31 Dec 2016 ↑
2.1
1.2
31 Dec 2015



DEBT TO EQUITY
31 Dec 2016 ↓
0.7
2.4
31 Dec 2015

REVENUE BREAKDOWN

PRODUCTION OF FILMS[1]

FY2016 ↑
10.6 MILLION
FY2015
1.0 MILLION

DISTRIBUTION OF FILMS & OTHERS[2]

FY2016 ↓
3.9 MILLION
FY2015
16.3 MILLION

RESTAURANT SALES & CAFE LOUNGE BUSINESS & PHOTOGRAPHY

FY2016 ↑
0.6 MILLION
FY2015
0.5 MILLION

Notes:

(1) This comprised the fixed fee when the Group only undertakes the role of the producer.

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

OUR BUSINESS

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

THEATRICAL FILM

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

영화사 집 ZIP CINEMA

NOVUS MEDIACORP

spackmanentertainmentkorea

OTHER BUSINESSES

- Associated company, Spackman Media Group Limited, is one of the largest entertainment talent agencies in Korea in terms of the number of artistes under management and the Group intends to use this talent management platform to participate in content
- Upper West is a café-lounge in the Gangnam district of Seoul
- Noon pictures is a professional photography studio

HONEST CAFE & BAR UPPER WEST 20 CO. 14

noon pictures

spackmanmediagroup

FILM BUSINESS MODEL

TOTAL BOX OFFICE REVENUE (100%)

(Minus)

THEATRE OPERATOR FEES (50%)

Theatre Operator Takes Approximately 50% of Gross Box Office

(Minus)

DISTRIBUTION FEE & MARKETING COSTS & PRESENTER FEE

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

(Minus)

TOTAL PRODUCTION BUDGET

Production Budget and P&A* Budget

(Plus)

ANCILLARY & INTERNATIONAL SALES

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

(equal)

NET PROCEEDS FROM BOX OFFICE REVENUE

PRODUCER

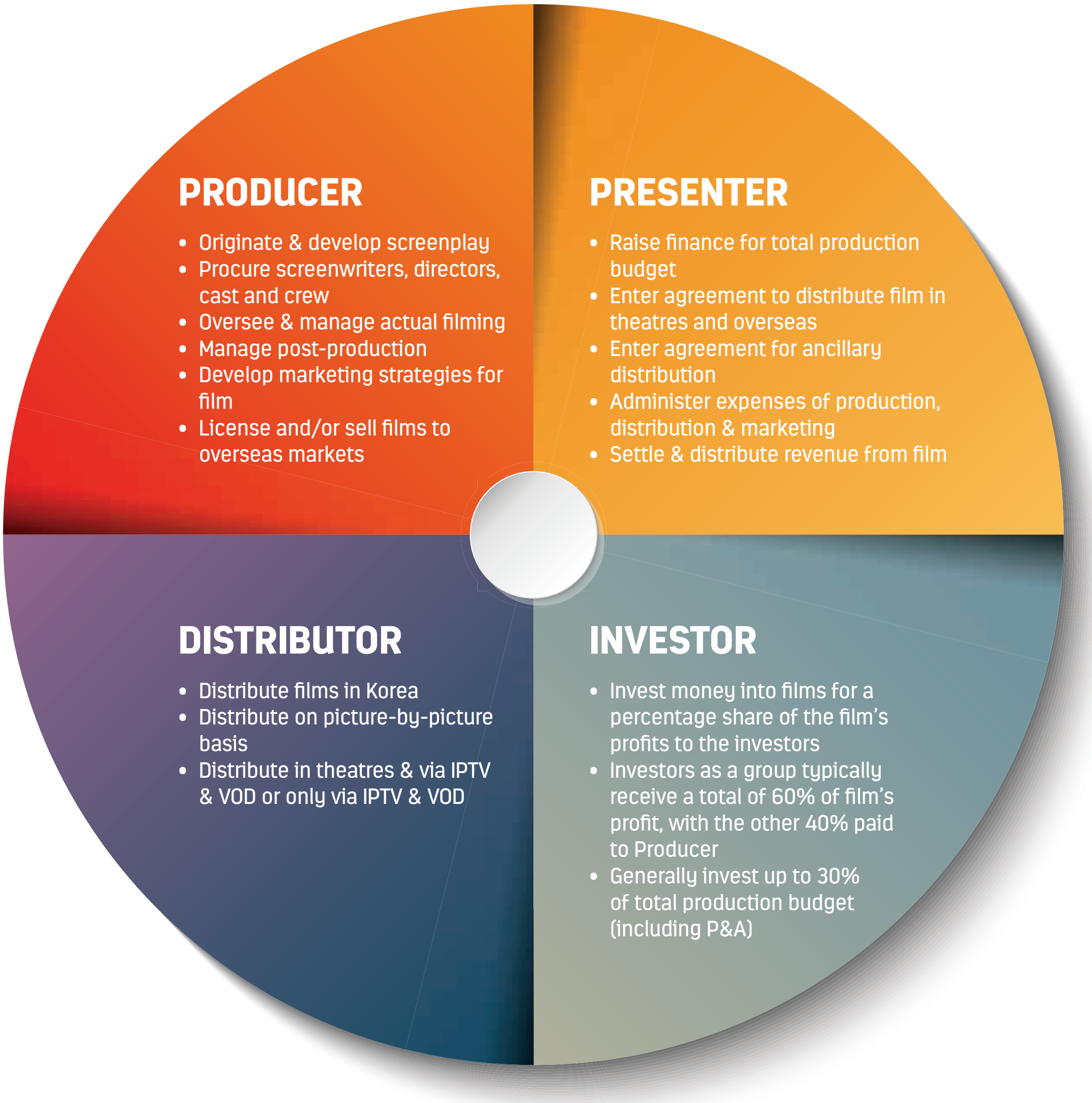
RECEIVE 40% OF PROFITS

INVESTOR

RECEIVE 60% OF PROFITS

*P&A: Prints and advertising

OUR THEATRICAL FILM BUSINESS



OPERATIONS AND FINANCIAL REVIEW

OPERATIONS REVIEW

REPOSITIONING FOR THE FUTURE

In our objective to deliver higher value for our stakeholders, the Group has carried out major corporate developments and achieved key milestones to reinforce its status as a leading Korean entertainment company in Singapore.

In FY2016, the Group successfully disposed 100% equity interest in its loss-making subsidiary, Opus Pictures Limited Liability Company ("**Opus Pictures**") and indirect 51.5% subsidiary, UAA Korea Co., Ltd ("**UAA**"). Film projects presented, produced and/or invested by Opus Pictures performed below expectations. Since June 2014, six films from Opus Pictures namely, *FOR THE EMPEROR*, *CONFESSION*, *BIG MATCH*, *WONDERS*, *CHASING* and *MUSUDAN* recorded an aggregate loss of KRW10.7 billion (or USD$9.0 million) with negative 50% rate of return to investors. Opus Pictures incurred 69% of the Group's total selling and general and administrative expenses for the first quarter of FY2016. The Group held an extraordinary general meeting on 12 August 2016 to seek shareholders' approval to dispose of Opus Pictures and UAA.

Without Opus Pictures, the Group expects to reduce its fixed overheads and operating expenses significantly as compared to the previous quarters.

In May 2016, the Group completed the share swap of the Group's 45.8% interest in Spackman Media Group Pte. Ltd. ("**SMGPL**") in consideration for 27.2% interest in the Company's associated company, Spackman Media Group Limited ("**SMGL**").

On 25 July 2016, the Group announced that Alibaba Pictures Group Limited purchased the distribution rights for the Group's 51%-owned subsidiary Novus Mediacorp Co., Ltd. ("**Novus Mediacorp**") film, *LIFE RISKING ROMANCE*, in movie theatres and online platforms in China. The film, presented and co-produced by Novus Mediacorp, was screened at the 19th Shanghai International Film Festival in June 2016 and subsequently released in Korea on 14 December 2016.

On 21 December 2016, the Group's crime-action film, *MASTER*, debut #1 at the Korean box office with the highest December opening in history. The film was presold to more than 30 countries such as the United States, Canada, Australia, New Zealand, Italy, Taiwan, Hong Kong, Singapore, Thailand and Philippines. *MASTER* surpassed its breakeven point of 3.7 million tickets within eight days of its official wide release. The film was released in Hong Kong on 12 January and in Singapore on 13 January 2017. *MASTER* grossed over KRW 58 billion with more than 7.1 million tickets sold in Korea.

The Group announced that its upcoming manhunt thriller film with the working title, *GOLDEN SLUMBER*, commenced filming in late January 2017. The estimated total production budget (including prints and advertising costs) for the film is tentatively set at approximately KRW 10 billion (or US$8.7 million). The film is expected to be released in Korean theatres by the second half of 2017.

On 20 March 2017, the Group completed the issuance of 26.2 million new ordinary shares of the Company, in return for 1 million common voting shares, representing 3.27% of SMGL, in relation to the share swap agreement between the Company and certain existing shareholders of SMGL. On the same day, the Group also completed the placement of 38.1 million new ordinary shares of the Company.

On 31 March 2017, the Group completed the acquisition of 100% equity interest of Frame Pictures Co., Ltd. ("**Frame Pictures**").

The acquisition will allow the Group to own a profitable business which is in line with the Group's strategy of making acquisitions that can financially and strategically complement the Group's operations.

As approximately 1.6% of the Company's equity interest in SMGL formed part of the consideration for the acquisition of Frame Pictures, the Company's shareholding interest in SMGL was diluted from 27.8% to 26.2% after the completion of the acquisition.

FINANCIAL REVIEW

TURNAROUND GAINING MOMENTUM

Revenue decreased by approximately US$2.63 million or 15% year-on-year ("**YoY**") from US$17.77 million in FY2015 to US$15.14 million in FY2016. The decrease was mainly due to a decrease of US$12.40 million from distribution of films which was primarily attributable to the lackluster performance of four films released during FY2016, namely *CHASING* (presented by Opus Pictures and produced by 3rd party), *MUSUDAN* (presented by Opus Pictures and produced by 3rd party), *ONE MORE TIME* (invested by Opus Pictures) and *LIFE RISKING ROMANCE* (co-presented by Novus Mediacorp). This was partially offset by an increase in revenue from production of films of US$9.63 million.

In FY2016, the Group produced *MASTER* (produced by an indirect wholly-owned subsidiary of the Company, Zip Cinema Co., Ltd. ("**ZIP Cinema**") and presented by a third party, CJ E&M). *MASTER* generated production revenue of US$9.28 million, however, the Group did not recognize any revenue from share of profit for acting as the producer in FY2016 due to the timing of its theatre release in December 2016. The Group's upcoming manhunt thriller movie, *GOLDEN SLUMBER* (produced by Zip Cinema and presented by a third party, CJ E&M) which is currently under the production stage and is expected to be released in 2nd half of FY2017, generated production revenue of US$1.31 million in FY2016. The Group also distributed several motion films including *THE PRIEST, CHASING, MUSUDAN, LIFE RISKING ROMANCE* and others, which generated distribution revenue of US$3.90 million. In addition, US$0.65 million of revenue was generated from restaurant sales from our café lounge business (US$0.46 million) and photography services (US$0.19 million). In FY2015, the Group presented and produced *THE PRIEST* which generated revenue from film presentation and investment of US$14.30 million (including the share of profit for acting as the producer of US$3.13 million). The Group also distributed several motion films including *BIG MATCH, MY BRILLIANT LIFE, CONFESSION, FOR THE EMPEROR, WONDERS* and others, which generated revenue of US$2.97 million. In addition, a total of US$0.50 million in revenue was generated from restaurant sales from our café lounge business (US$0.34 million) and photography services (US$0.16 million).

Cost of sales increased by US$9.21 million from US$9.93 million in FY2015 to US$19.14 million in FY2016, mainly attributable to the larger film production budget of *MASTER*, as compared to *THE PRIEST*. In FY2016, *MASTER* incurred cost of sales of US$9.01 million, attributable to the production of films. The Group's upcoming manhunt thriller movie, *GOLDEN SLUMBER* which was in the production stage, incurred cost of sales of US$1.21 million in FY2016. Cost of sales of US$8.54 million was attributable to the distribution of several motion films including *THE PRIESTS, CHASING, MUSUDAN, LIFE RISKING ROMANCE* and others. In addition, US$0.14 million of cost of sales was incurred from the restaurant sales from our café lounge business. In FY2015, *THE PRIEST* incurred cost of sales of US$5.86 million, attributable to the distribution of films and others. Cost of sales of US$2.89 million was attributable to the distribution of several motion films including *BIG MATCH, MY BRILLIANT LIFE, CONFESSION, FOR THE EMPEROR, WONDERS* and others. In addition, cost of sales of US$0.12 million was incurred from restaurant sales from our café lounge business.

The Group recorded a gross loss of US$4.00 million in FY2016 as compared to a gross profit of US$7.84 million in FY2015. The reversal from a gross profit margin of 44% recorded in FY2015 to a gross loss margin of 26% in FY2016 was mainly due to gross loss of US$4.64 million from distribution of films which was primarily attributable to the lackluster performance of four films released during FY2016, Opus Pictures' *CHASING, MUSUDAN, ONE MORE TIME and* Novus Mediacorp's *LIFE RISKING ROMANCE*. In addition, the Group did not recognize any revenue from share of profit for acting as the producer in FY2016 for *MASTER* due to the timing of its theatre release.

Other income increased by US$7.69 million from US$0.72 million in FY2015 to US$8.41 million in FY2016. The increase was mainly due to the gain on disposal of subsidiaries, Opus Pictures and UAA, of US$2.40 million (FY2015: nil) and the loss on film borne by external investors of US$5.45 million (FY2015: nil). The loss on film borne by external investor in FY2016 was incurred due to the lackluster performance of *LIFE RISKING ROMANCE* (US$3.67 million), *MUSUDAN* (US$1.04 million) and *CHASING* (US$0.74 million).

Other expenses decreased by US$3.99 million or 83% YoY from US$4.82 million in FY2015 to US$0.83 million in FY2016. The decrease was mainly due to the followings: i) a decrease in the profit on film distributable to external investors by US$3.60 million from US$4.20 million in FY2015 to US$0.60 million in FY2016 as majority of the profit on film distributable to external investors for *THE PRIEST* were recognized in FY2015; and ii) a decrease

OPERATIONS AND FINANCIAL REVIEW

in impairment loss on film production inventories from several films under the development stage by US$0.51 million from US$0.62 million in FY2015 to US$0.11 million in FY2016 as there were fewer films under development in FY2016 after the disposal of Opus Pictures.

SHARE OF RESULTS OF ASSOCIATE

The share of results of associate of a loss of US$0.07 million in FY2016 (FY2015: a profit of US$1.25 million) was mainly attributable to:

i) Share of loss of US$0.33 million due to losses incurred from SMGPL variety show production business through Delmedia Co., Ltd. (which is 99% owned by SMGPL, which was acquired by SMGL in July 2016 and was subsequently being fully disposed of in July 2016), and its TV/media commercials and music video production business through Breakfastfilm Co., Ltd. (51% owned by SMGPL, which was acquired by SMGL in June 2016 and was subsequently being fully disposed of in July 2016).
ii) Partially offset by share of profit of SMGL of US$0.26 million primarily due to profit earned from SMGL's talent management business, through MS Team Entertainment Co., Ltd., Kook Entertainment Co., Ltd, SBD Entertainment Inc., UL Entertainment Co., Ltd., UAA & Co Inc. and Fiftyone K Inc. after the share swap.

FY2015 recorded a profit of US$1.25 million which was mainly due to a bargain purchase of associate of US$1.71 million in FY2015 that resulted in the excess of the Group's share of net fair value assets of SMGPL, a newly acquired associate in FY2015, over the cost of investments on the acquisition date. Without the abovementioned one-off gain, Share of results of associate would have recorded a loss of US$0.46 million in FY2015 due to losses incurred from SMGPL through Delmedia Co., Ltd. and Breakfastfilm Co., Ltd.

As a result of the above, our loss before tax increased by US$1.26 million from a loss before tax of US$1.12 million in FY2015 as compared to a loss before tax of US$2.38 million in FY2016.

DISCONTINUED OPERATION

On 19 April 2016, Spackman Entertainment Group (HK) Limited, a direct wholly-owned subsidiary of the Company and Spackman Equities Limited, an indirect wholly-owned subsidiary of the Company entered into a conditional share sale and purchase agreement with Tae Hun Lee (the "**Purchaser**"), the former Executive Director and Chief Executive Officer of the Group for the sale of the Group's 100% equity interest in Opus Pictures and 51.50% equity interest in UAA to the Purchaser (the "**Restructuring**"). The Restructuring has been completed the same day after receiving shareholder's approval at the extraordinary general meeting of the Company held on 12 August 2016. Pursuant to the completion of the Restructuring, the statement of profit or loss and other comprehensive income of UAA was classified as a single amount, loss from discontinued operation, of US$0.37 million in FY2016 (FY2015: a profit of US$0.24 million).

FINANCIAL POSITION

The Group's non-current assets amounted to US$7.93 million as at 31 December 2016. The decrease in non-current assets from US$9.58 million as at 31 December 2015 was mainly due to: i) Decrease in film production inventories of US$1.41 million mainly related to the disposal of Opus Pictures; ii) Decrease in investment in associates of US$0.14 million due to the loss from the Company's 45.8% owned associate company, SMGPL which was subsequently being disposed of in May 2016; iii) Decrease in property, plant and equipment of US$0.26 million due to the depreciation charged during FY2016; iv) Partially offset by an increase in intangible assets of US$0.10 million due to payment made by Zip Cinema, for the copyright of an online movie game "*THE PRIEST*" which is currently in the development stage; and v) Partially offset by an increase in deferred tax assets of US$0.12 million due to unused tax losses recognized by Zip Cinema.

The Group's current assets amounted to US$14.08 million as at 31 December 2016. The decrease in current assets from US$47.73 million as at 31 December 2015 was mainly due to: i) Decrease in trade receivables of US$17.49 million mainly due to the collection of trade receivables related to *THE PRIESTS*; ii) Decrease in disposal group assets classified as held for sale of US$8.95 million primarily attributable to the disposal of UAA; iii) Decrease in film production inventories of US$6.60 million mainly due to three films, *CHASING*, *MUSUDAN* and *LIFE RISKING ROMANCE*, which were released in FY2016; iv) Decrease in investments by US$2.43 million mainly due to the disposal of Opus Pictures and disposal of film investment funds; and v) Partially offset by an increase in cash and cash equivalents of US$1.82 million mainly due to the reasons as explained under the discussion for the "Consolidated Statement of Cash Flow" below.

The Group's non-current liabilities amounted to US$2.07 million as at 31 December 2016, a decrease of US$0.24 million as compared with US$2.31 million as at 31 December 2015 mainly due to the decrease in deferred tax liabilities as a result of realization of deferred tax liability of Zip Cinema.

The Group's current liabilities amounted to US$6.73 million as at 31 December 2016. The decrease in current liabilities from

US$38.31 million as at 31 December 2015 was mainly due to: i) a decrease in trade and other payables of US$12.69 million mainly due to disposal of Opus Pictures which held US$13.67 million of trade payables as at 31 December 2015; ii) a decrease in film obligations and production loans of US$9.31 million mainly due to the repayments to investors and disposal of subsidiaries, iii) Decrease in liabilities directly associated with disposal group of US$5.42 million primarily attributable to the disposal of UAA; iv) a decrease in short term borrowings of US$3.12 million held by Opus Pictures, mainly due to the disposal of Opus Pictures; v) a decrease in deferred revenue of US$1.18 million mainly as the minimum guarantee received for the Group's sale of distribution rights in ancillary market of films were released to revenue from distribution of films; and vi) partially offset by an increase of US$0.15 million in tax payables mainly due to chargeable income from Zip Cinema in FY2016.

CONSOLIDATED STATEMENT OF CASHFLOW

As at 31 December 2016, the Group had cash and cash equivalents amounting to US$5.94 million as compared to cash and cash equivalents amounting to US$5.95 million as at 31 December 2015 (comprised of US$4.11 million from continuing operations and US$1.84 million from discontinued operations). The cash movements during FY2016 as compared to FY2015 can be summarized as follows:

Net cash generated from operating activities for FY2016 amounted to US$6.39 million as compared to net cash used in operating activities of US$16.56 million for FY2015. The cash flow generated from operating activities for FY2016 was mainly due to a net working capital inflows of US$15.64 million mainly resulting from a decrease in receivables of US$24.21 million and a decrease in film production inventories of US$1.73 million, offset by a decrease in payables of US$9.53 million, an increase in investment in theatrical projects of US$0.88 million, operating loss before working capital changes of US$8.88 million and income tax paid of US$0.39 million.

Cash flow generated from investing activities for FY2016 was US$1.73 million as compared to cash flow used in investing activities of US$6.07 million for FY2015. The cash flow generated from investing activities for FY2016 was mainly due to proceeds from disposal of short term investment of US$2.23 million, net cash from disposal of subsidiaries of US$0.92 million and repayment of short term loans of US$0.42 million, offset by the increase in investment in short term investments of US$1.24 million, additional short term loans of US$0.34 million and a purchase of intangible assets of US$0.22 million.

Cash flow used in financing activities was US$8.04 million for FY2016 as compared to cash flow generated from financing activities of US$16.73 million for FY2015. The cash used in financing activities in FY2016 was mainly due to the repayment of borrowings of US$2.60 million and payment of box office proceeds to investors of US$10.01 million, offset by the proceeds from additional film obligations and production loans of US$3.64 million mainly for the production of *LIFE RISKING ROMANCE* and proceeds from additional loans of US$1.10 million mainly for refinancing purposes by Opus Pictures.

KEY MILESTONES

2014

JUL — Listed on the SGX Catalist Board

NOV — Acquired 60.2% of noon pictures

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

2015

JAN — Acquired 51% of Novus Mediacorp

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

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

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

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

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

AUG — SMGPL[1] acquired additional 10.1% stake in Delmedia

SEP — SMGPL[1] acquired 51.0% of Breakfastfilm

NOV — 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. [4] *THE PRIESTS* sold 5.4 million tickets at the Korean box office. [4]

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

DEC — Proposed Share Swap of SMGPL[1]

OCT

▶ Corporate Development
▶ Film News

Notes:
[1] The Company had on 13 May 2016 completed the share swap of the Company's 45.8% interest in SMGPL in consideration for 27.2% interest in Spackman Media Group Limited ("**SMGL**")

[2] Proposed listing is not definitive at this juncture and there is no assurance that the proposed listing will materialize

[3] As of 31 March 2017, the Company owns a shareholding interest of 26.17% in SMGL

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

APR MAY JUN JUL AUG DEC JAN FEB MAR

2016 **2017**

Proposed Disposal of Loss Making subsidiary, Opus Pictures, and UAA Korea

MASTER commenced filming

Completed Share Swap of Group's 45.8% interest in SMGPL for 27.2% in SMGL[1] [3]

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

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

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

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

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

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

As a result, the Company's shareholding interest in SMGL decreased from 27.20% to 24.53%

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

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

MASTER released in Hong Kong on 12 Jan and Singapore on 13 Jan 2016

MASTER sold over 7.1 million tickets and grossed KRW 58.0 billion in Korea[4]

GOLDEN SLUMBER, produced by Zip Cinema, commenced filming

Completion of share swap agreement between the Company and certain existing shareholders of SMGL[3]

Completion of placement of 38.1 million new ordinary shares of the Group

Completion of acquisition of 100% of Frame Pictures Co., Ltd.

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 11 theatrical films to date, including *MASTER* (2016), which sold over 7.1 million tickets and grossed KRW 58.0 billion in Korea, *THE PRIESTS* (2015), which recorded 5.4 million tickets and grossed KRW 42.4 billion in Korea, *WOOCHI* (2009), which sold 6.1 million tickets at the Korean box office and grossed over KRW 44 billion, and *HAUNTERS* (2010) which sold 2.1 million tickets and grossed KRW 15.4 billion in Korea[1].

On May 17, 2012, *ALL ABOUT MY WIFE*, a romantic comedy produced by Zip Cinema, opened number one (#1) at the Korean box office. With a total budget of approximately KRW 4.8 billion (including P&A), *ALL ABOUT MY WIFE*, directed by Min Gyoo-dong and featuring top Korean stars, Im Soo-jeong, Lee Seon-gyoon, and Ryoo Seung-yong, sold over 4.6 million tickets and grossed KRW 34.2 billion domestically, becoming one of Korea's highest-grossing romantic comedies of all time[1].

On July 3, 2013, *COLD EYES*, a crime thriller produced by Zip, opened #1 at the Korean box office. With a total budget of approximately KRW 6.7 billion (including P&A), *COLD EYES*, directed by Jo Eui-seok and Kim Byeong-seo, and featuring top Korean stars, Seol Kyeong-gu, Jung Woo-sung, Han Hyo-joo, and Junho of the K-pop group 2PM, sold over 5.5 million tickets and grossed almost KRW 40 billion at the Korean box office, placing the film as one of the top 10 box office hits of 2013 [1]. *COLD EYES* was also selected as the Gala Presentation for the 2013 Toronto International Film Festival.

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

On 5 November 2015, Zip Cinema's *THE PRIESTS*, starring Kim Yun-seok and Gang Dong-won, opened #1 at the Korean box office and has since set 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 58.1 billion (or US$ 51.9 million) and ticket admissions of 7.1 million in Korea[1].

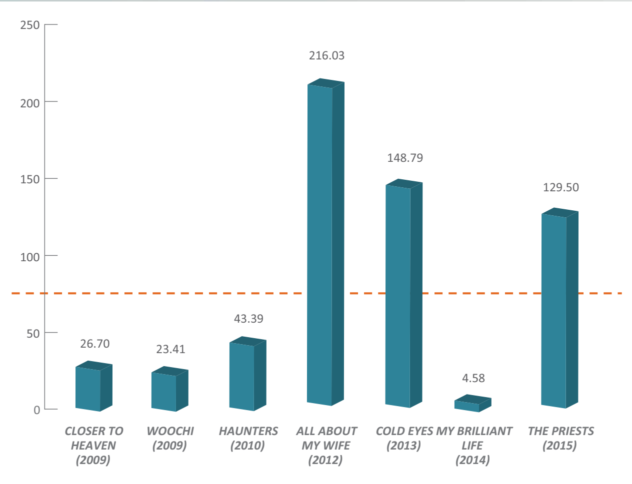
For more information on Zip Cinema, visit http://zipcine.com

[1] Source: Korean Film Council (KOFIC): www.koreanfilm.or.kr

TRACK RECORD OF ZIP CINEMA

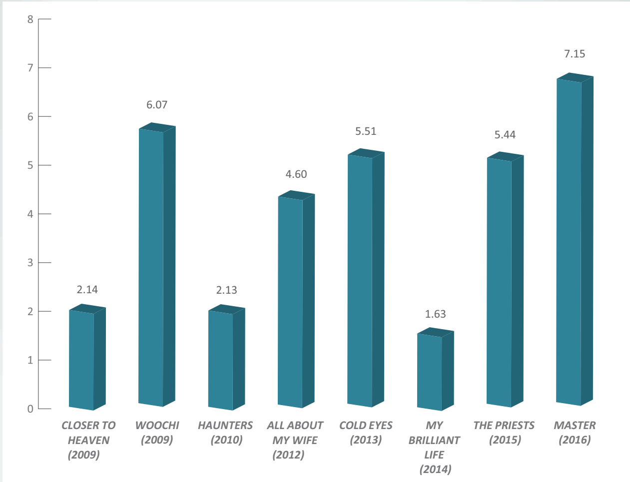
AVERAGE RATE OF RETURN OF ZIP CINEMA: 74%

Rate of Return (%)



TOTAL DOMESTIC TICKET ADMISSIONS: 35 MILLION

Domestic Ticket Admissions (million)



Notes:
- *Figures computed based on Company Data and Korean Film Council (KOFIC): www.koreanfilm.or.kr.*
- *MASTER not included under Rate of Return chart as the figures have yet to be released from CJ E&M, the presenter of MASTER.*

PORTFOLIO OF ZIP CINEMA

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

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

PORTFOLIO OF NOVUS MEDIACORP

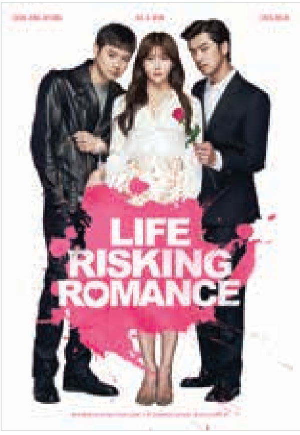
Novus Mediacorp Co., Ltd. ("**Novus Mediacorp**"), a 51% subsidiary of SEGL, is a renowned investor, presenter, and ancillary distributor for Korean theatrical films. Since 2009, Novus Mediacorp was the investor, presenter, and/or ancillary distributor for a total of 75 films (52 Korean and 23 foreign) including *SECRETLY, GREATLY*, which was one of the biggest box office hits of 2013 starring Kim Soo-hyun of *MY LOVE FROM THE STARS* fame, as well *FRIEND 2: THE GREAT LEGACY*. In 2012, Novus was also the ancillary distributor of *ALL ABOUT MY WIFE*, a top-grossing romantic comedy produced by Zip Cinema.

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.

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

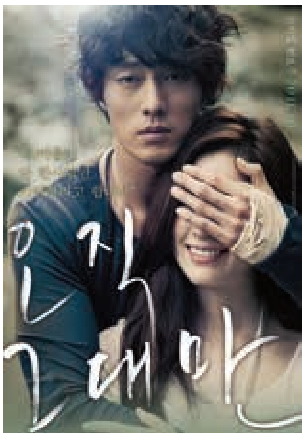


LIFE RISKING ROMANCE
2016

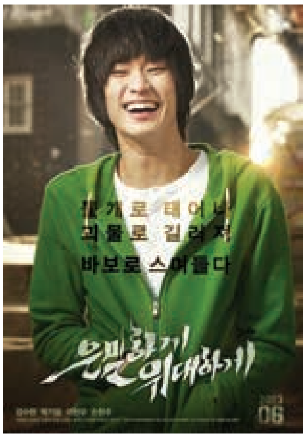
INNOCENT THING
2014

FRIEND: THE GREAT LEGACY
2013

HOPE
2013



VERY ORDINARY COUPLE
2013



SECRETLY GREATLY
2013

ALL ABOUT MY WIFE
2012

THE SCENT
2012

WAR OF THE ARROWS
2011

ALWAYS
2011

BLADES OF BLOOD
2010

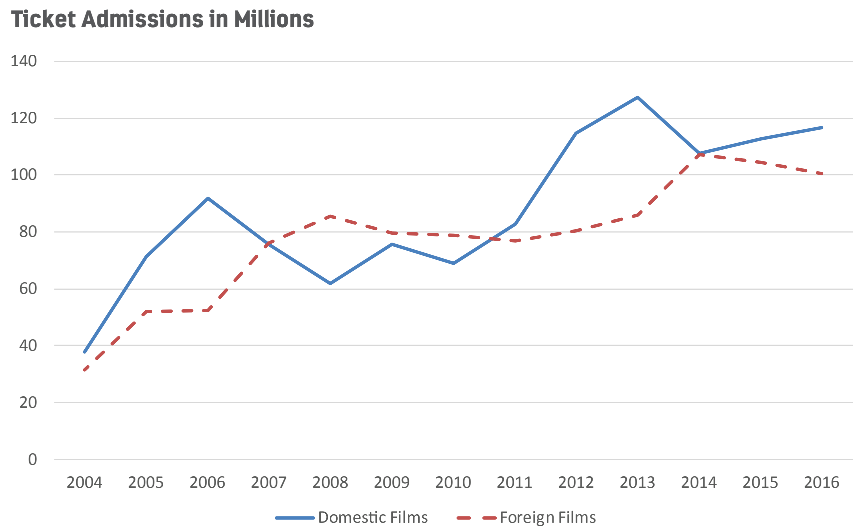
SECTOR OUTLOOK: KOREAN MOTION PICTURE INDUSTRY

THE KOREAN MOTION PICTURE INDUSTRY
OVERVIEW

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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
YOY Growth Rate (%)		78.1	16.9	5.3	-3.0	5.4	-4.9	8.1	22.0	9.4	0.8	1.0	-0.1
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
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
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
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
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
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
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
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
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
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
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
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
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
Average Ticket Price (KRW)	6363.89	6,326.32	6,186.52	6,350.93	6,521.48	6,970.43	7,832.03	7,737.07	7,466.45	7,271.36	7,738.13	7,894.64	8,032.20
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
Number of Theatres (nationwide)	302	301	321	314	309	305	301	292	314	333	356	433	451
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

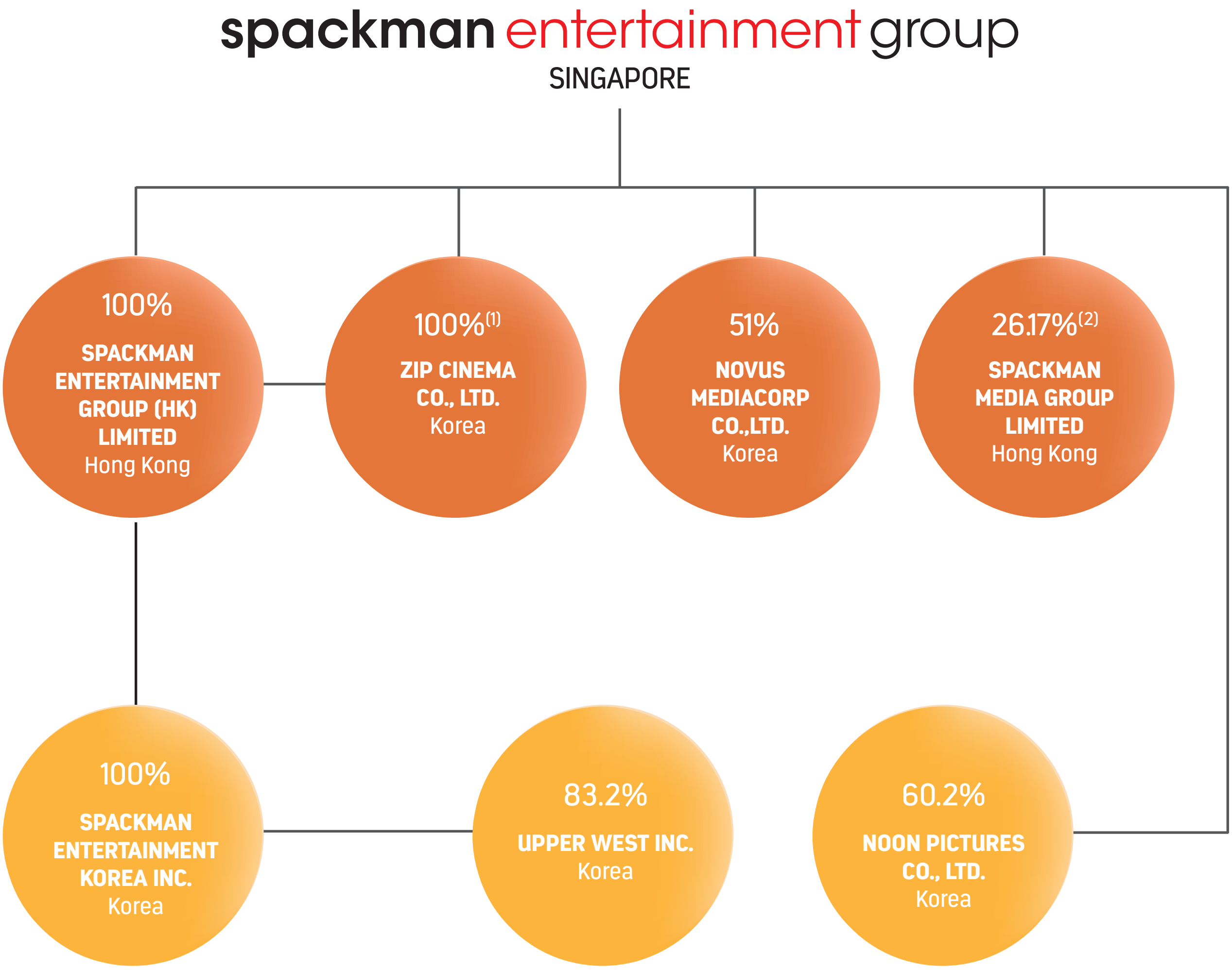
Source: Korean Film Council; Ministry of Culture, Sports and Tourism, Republic of Korea as of Jan 2017

DOMESTIC VS. FOREIGN FILMS AT THE KOREAN BOX OFFICE



Source: Korean Film Council; Ministry of Culture, Sports and Tourism, Republic of Korea as of Jan 2017

GROUP STRUCTURE



Notes:

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

(2) Spackman Entertainment Group Limited completed the share swap of its 45.8% interest in Spackman Media Group Pte. Ltd. for 27.2% for interest in Spackman Media Group Limited ("SMGL") on 13 May 2016. As of 31 March 2017, the Company owns a shareholding interest of 26.17% in SMGL.

BOARD OF DIRECTORS

CHARLES SPACKMAN
Executive Chairman and Chief Executive Officer

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

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

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

EUGENE LEE
Executive Director and Chief Producer

Ms. Eugene Lee is the Executive Director and Chief Producer of our Group. She is the founder, chief executive officer and head producer of Zip Cinema. Since founding Zip Cinema in 2006, Ms. Lee has produced and released eleven 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) and *MASTER* (2016).

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.

SUK YOUNG JUNG
Executive Director

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

His select filmography includes four of the top 20 movies of 2013, including *SECRETLY GREATLY* (2013), *FRIEND: THE GREAT LEGACY* (2013), *HOPE* (2013), *VERY ORDINARY COUPLE* (2013).

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

BOARD OF DIRECTORS

JESSIE HO
Lead Independent Director

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

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

ANTHONY WONG
Independent Director

Mr. Anthony Wong is an Independent Director and the Chairman of the Audit and Risk Management Committee. He also serves on the Remuneration Committee and Nominating Committee. Mr. Wong has more than 25 years of experience in managing telecommunications, media and technology projects. As of 10 December 2014, he was appointed executive director and chief financial officer of China Public Procurement Limited, a public company in Hong Kong. From January 2009, he worked for e-Kong Group Limited, a public company in Hong Kong and served as its chief financial officer from January 2011 until January 2014. From June 2006 until December 2008, Mr. Wong served as the chief executive officer and director of New Legend Group Limited, a start-up Canadian capital pool company listed on the Toronto Venture Exchange. He was previously the finance director of Hutchison Telecommunications Group, the telecommunication subsidiary of Hutchison Whampoa, where he led the mergers and acquisitions team to start up international joint ventures and investment projects. Mr. Wong has also worked at Deloitte Touche in Vancouver, and worked as Senior Audit Manager with PricewaterhouseCoopers in Hong Kong.

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

NG HONG WHEE
Independent Director

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

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

KEY MANAGEMENT

CHARLES SPACKMAN
Executive Chairman and Chief Executive Officer

Profile as disclosed under Board of Directors

EUGENE LEE
Executive Director and Chief Producer

Profile as disclosed under Board of Directors

SUK YOUNG JUNG
Executive Director

Profile as disclosed under Board of Directors

KEY MANAGEMENT

KAY NA
Chief Financial Officer

Mr. Kay Na was appointed as the Chief Financial Officer of our Group in September 2013. He is responsible for managing and overseeing the financial related activities including, accounting, financing and taxation matters of the Group since joining us in September 2013. Prior to joining the Group, Mr. Na worked with KPMG Korea and KPMG Singapore, providing audit, tax and advisory services to many private and public companies over a period of nine years. He is a member of the Institute of Singapore Chartered Accountants and a member of the Korean Institution of Certified Public Accountants. Mr. Na graduated with a Master of Science in Business Administration (majoring in Accounting) and a Bachelor of Science in Engineering from Seoul National University.

JASMINE LEONG
Senior Manager, Investor and Media Relations

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

CORPORATE GOVERNANCE REPORT

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

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

Unless otherwise stated, this report outlines the Group's corporate governance practices that were in place during the financial year ended 31 December 2016 ("**FY2016**"), with specific reference made to the principles of the Code of Corporate Governance 2012 (the "**Code**") and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in January 2015 (the "**Guide**").

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	The Company has complied with the principles and guidelines as set out in the Code and the Guide, where applicable. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and/or the Guide.
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines of the Code?	Not applicable. The Company did not adopt any alternative corporate governance practices in FY2016.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
BOARD MATTERS		
The Board's Conduct of Affairs		
1.1	What is the role of the Board?	The Board has 6 members and comprises the following:

Composition of the Board		***Composition of the Board Committees*** • *C – Chairman* • *M – Member*		
Name of Director	**Designation**	**ARMC**[(1)]	**NC**[(2)]	**RC**[(3)]
Charles Choi Spackman ("**Charles Spackman**")	Executive Chairman and Chief Executive Officer ("**CEO**")	–	M	–
Yoo Jin Lee ("**Eugene Lee**")	Executive Director and Chief Producer	–	–	–
Jung Suk Young[(4)]	Executive Director	–	–	–
Thong Yuen Siew Jessie ("**Jessie Ho**")	Lead Independent Director	M	C	M
Anthony Wei Kit Wong ("**Anthony Wong**")	Independent Director	C	M	M
Ng Hong Whee	Independent Director	M	–	C

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 Jung Suk Young was appointed as the Executive Director of the Company, with effect from 1 September 2016.

(5) Mr. Tae Hun Lee resigned as Director and CEO of the company with effect from 8 March 2016.

The Board is entrusted to lead and oversee the Company, with the fundamental principle to act in the best interest of the Company. In addition to its statutory duties, the Board's principle functions are to:

- Set out overall long term strategic plans and objectives for the Group and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;

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>

Establish a framework of prudent and effective internal controls and risk management strategies which enables risk to be assessed and managed, including safeguarding of shareholders' interests and the Group's assets;
Review management performance;
Ensure good corporate governance practices to protect the interests of shareholders; and
Appoint Directors of the Company and key management personnel of the Group.

</td></tr>
<tr><td>1.3</td><td>Has the Board delegated certain responsibilities to committees? If yes, please provide details.</td><td>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.</td></tr>
<tr><td>1.4</td><td>Have the Board and Board Committees met in the last financial year?</td><td>The Board meets on a quarterly basis, and as and when circumstances require. The number of Board and Board Committees meetings held and the attendance of each Board member for FY2016 are shown below:
<table>
<tr><th colspan="5">Table 1.4 – Board and Board Committee Meetings in FY2016</th></tr>
<tr><th></th><th>Board</th><th>ARMC</th><th>NC</th><th>RC</th></tr>
<tr><td>Number of Meetings Held</td><td>4</td><td>4</td><td>1</td><td>1</td></tr>
<tr><th>Name of Director</th><th colspan="4">Number of Meetings Attended</th></tr>
<tr><td>Charles Spackman</td><td>4/4</td><td>NA</td><td>1/1</td><td>NA</td></tr>
<tr><td>Tae Hun Lee(1)</td><td>0/1</td><td>NA</td><td>NA</td><td>NA</td></tr>
<tr><td>Yoo Jin Lee</td><td>2/4</td><td>NA</td><td>NA</td><td>NA</td></tr>
<tr><td>Jung Suk Young(2)</td><td>1/1</td><td>NA</td><td>NA</td><td>NA</td></tr>
<tr><td>Jessie Ho</td><td>4/4</td><td>4/4</td><td>1/1</td><td>1/1</td></tr>
<tr><td>Anthony Wong</td><td>4/4</td><td>4/4</td><td>1/1</td><td>1/1</td></tr>
<tr><td>Ng Hong Whee</td><td>3/4</td><td>3/4</td><td>NA</td><td>1/1</td></tr>
</table>
NA – Not applicable, as the Directors are non-members of the Board Committees.

Notes:
(1) Mr. Tae Hun Lee resigned as Director and CEO of the company with effect from 8 March 2016.
(2) Mr. Jung Suk Young was appointed as the Executive Director of the Company with effect from 1 September 2016.

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
1.5	What are the types of material transactions which require approval from the Board?	Matters that require the Board's approval include, amongst others, the following: • corporate strategy and business plans of the Group; • material acquisitions, divestments and capital expenditure of the Group; • share issuance, dividend release or changes in capital of the Company; • budgets, financial results announcements, annual report and audited financial statements of the Group; • material financing and restructuring plans of the Group; and • material interested person transactions of the Group.
1.6	(a) Are new Directors given formal training? If not, please explain why.	All newly appointed Directors of the Company will undergo an orientation programme where the Director would be briefed on the Group's strategic direction, governance practices, business and organisation structure as well as the expected duties of a director of a listed company. To get a better understanding of the Group's business, the Director will also be given the opportunity to visit the Group's operational facilities and meet with key management personnel of the Group.
	(b) What are the types of information and training provided to (i) new Directors and (ii) existing Directors to keep them up-to-date?	The Board values on-going professional development and recognises that it is important that all Directors receive regular training so as to be able to serve effectively on and contribute to the Board. To ensure Directors can fulfil their obligations and to continually improve the performance of the Board, all Directors are encouraged to undergo continual professional development during the term of their appointment. Professional development may relate to a particular subject area, committee membership, or key developments in the Company's environment, market or operations which may be provided by accredited training providers such as the Singapore Institute of Directors. Directors are encouraged to consult the Chairman and CEO if they consider that they personally, or the Board as a whole, would benefit from specific education or training regarding matters that fall within the responsibility of the Board or relate to the Company's business. Such trainings costs are borne by the Company.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		A new Director, Mr. Jung Suk Young was appointed during FY2016. He has attended a director training course under SID named "Board and Director Fundamentals" on 15 February 2017. Briefings, updates and trainings for the Directors in FY2016 include: • Briefing by the external auditors ("**EA**") to the ARMC on changes/amendments to accounting standards; • Briefing by DMS Corporate Services Pte. Ltd., the corporate secretarial agent to the Board on the amendments to the Companies Act (Phase 2). • Attendance of several seminars conducted by the BMI Listed Corporate Services Limited, Hong Kong Institute of Directors, Hong Kong Mediation and Arbitration Centre/BMI Funds Management Limited, Hong Kong Stock Exchange and CPA Canada Hong Kong Chapter/The Institute of Internal Auditors Hong Kong. The seminars included Anti Money Laundering Ordinance, Risk Management and Internal Control of Listed Companies in China, Key Aspects of a Successful Initial Public Offering, Carbon Audit Seminar for Listed Companies, Corporate Governance and Internal Audit's Role in Navigating Risk During Times of Global Volatility.
Board Composition and Guidance		
2.1 2.2 3.3	Does the Company comply with the guideline on the proportion of Independent Directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	In view that the Chairman who is also the CEO of the Company is part of the management team and is not an independent director, Guideline 2.2 of the Code is met as the Independent Directors make up half of the Board. Mrs. Jessie Ho has also been appointed as the Lead Independent Director of the Company and makes herself available to shareholders at the Company's general meetings and through the Joint Company Secretaries. The Lead Independent Director is also responsible for leading the meetings of independent directors and providing feedback to the Chairman on matters discussed at such meetings.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
2.3 4.3	Has the independence of the Independent Directors been reviewed in the last financial year?	The Board takes into account the existence of relationships or circumstances, including those identified by the Code, that are relevant in its determination as to whether a Director is independent. In addition, the NC reviews the individual directors' declaration in their assessment of independence. The Independent Directors confirmed their independence in accordance with the Code. The NC has also reviewed and confirmed the independence of the Independent Directors in accordance with the Code during the NC and Board meetings held in February 2017.
	(a) Is there any Director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the Director and specify the nature of such relationship.	There are no Directors who is deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.
	(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	Not applicable.
2.4	Has any Independent Director served on the Board for more than nine years since the date of his first appointment? If so, please identify the Director and set out the Board's reasons for considering him independent.	There are no Directors who has served beyond nine years since the date of his/her first appointment.
2.5	What are the steps taken by the Board to progressively renew the Board composition?	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.

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="3">2.6</td><td>(a) What is the Board's policy with regard to diversity in identifying director nominees?</td><td>The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group and it also takes cognizance on gender diversity.</td></tr>
<tr><td>(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.</td><td>The current Board composition provides a diversity of skills, experience, gender and knowledge to the Company as follows:
<table>
<tr><th colspan="3">Table 2.6 – Balance and Diversity of the Board</th></tr>
<tr><th></th><th>Number of Directors</th><th>Proportion of Board</th></tr>
<tr><td colspan="3">Core Competencies</td></tr>
<tr><td>– Accounting or finance</td><td>3</td><td>60%</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>40%</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 colspan="3">Gender</td></tr>
<tr><td>– Male</td><td>4</td><td>67%</td></tr>
<tr><td>– Female</td><td>2</td><td>33%</td></tr>
</table></td></tr>
<tr><td>(c) What steps have the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?</td><td>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>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
2.8	Have the Non-Executive Directors met in the absence of key management personnel in the last financial year?	The Non-Executive Directors are scheduled to meet regularly, and as warranted, in the absence of key management personnel to discuss concerns or matters such as the effectiveness of Management. The Non-Executive Directors have met once in the absence of key management personnel in February 2017.
Chairman and Chief Executive Officer		
3.1	Are the duties between Chairman and CEO segregated?	Mr. Charles Spackman, the Executive Chairman of the Company has assumed the role of CEO with effect from 8 August 2016. Although the roles of the Chairman and the CEO are not segregated, the ARMC, RC, and NC are chaired by Independent Directors. His performance and remuneration are reviewed periodically by the NC and RC. In addition, Mrs. Jessie Ho has been appointed as the Lead Independent Director of the Company and is available to shareholders should they have concerns, which cannot be resolved through the normal channel of the Chairman or for which such contact is inappropriate. Further, half of the Board is made up of Independent Directors of the Company. Hence, the Board is of the view that there are adequate safeguards and checks in place to ensure that the decision making process by the Board remains independent and based on collective decision making without Mr. Charles Spackman being able to exercise significant influence. As Executive Chairman and CEO, Mr. Charles Spackman oversees the business of the Board and sets the overall strategic direction of the Group. He leads the Board discussions and ensures that Board meetings are convened when necessary. He sets the Board's meeting agenda and ensures the quality, quantity and timeliness of the flow of information between the Board and key management personnel to facilitate efficient decision making. He is also responsible for developing the businesses of the Group and manages the day-to-day operations with the assistance of key management personnel. He also oversees the execution of the business and corporate strategy decisions made by the Board.
3.4	Have the Independent Directors met in the absence of the other directors?	Led by the Lead Independent Director, the Independent Directors will meet in the absence of the other directors as and when circumstances warrant. The Independent Directors have met once in the absence of the other Directors in FY2016.

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?	The Board has set the maximum number of listed company board representations as 6. Having assessed the capacity of the Directors based on factors disclosed in Section 4.4(c) below, the Board is of the view that this number would allow Directors to have increased exposure to different Boards and broaden their experience and knowledge in relation to Board matters, hence ultimately benefitting the Company.
	(b) If a maximum has not been determined, what are the reasons?	Not applicable.
	(c) What are the specific considerations in deciding on the capacity of directors?	The considerations in assessing the capacity of Directors include the following: • Expected and/or competing time commitments of Directors, including whether such commitment is a full-time or part-time employment capacity; • Geographical location of Directors; • Size and composition of the Board; • Nature and scope of the Group's operations and size; and • Capacity, complexity and expectations of the other listed directorships and principle commitments held.
	(d) Have the Directors adequately discharged their duties?	The NC has reviewed the time spent and attention given by each of the Directors to the Company's and the Group's affairs, taking into account the multiple directorships and other principal commitments of each of the Directors (if any), and is satisfied that all Directors have discharged their duties adequately for FY2016.
4.5	Are there alternate Directors?	The Company does not have any alternate directors to the existing Directors of the Company. Alternate directors will be appointed as and when the Board deems necessary. Circumstances which warrant such appointments may include health, age related concerns as well as Management succession plans.

CORPORATE GOVERNANCE REPORT

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

<table>
<tr><th>Guideline</th><th>Code and/or
Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>4.7</td><td>Please provide Directors' key information.</td><td>The key information of the Directors, including their appointment dates and directorships in other listed companies held in the past 3 years, are set out on pages 21 to 22 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>Charles Spackman</td><td>20 June 2014</td><td>21 April 2015</td><td>Spackman Equities Group Inc.</td></tr>
<tr><td>Yoo Jin Lee</td><td>20 June 2014</td><td>21 April 2015</td><td>Nil</td></tr>
<tr><td>Jung Suk Young</td><td>1 September 2016</td><td>Not applicable</td><td>Nil</td></tr>
<tr><td>Jessie Ho</td><td>10 January 2014</td><td>21 April 2015</td><td>Nil</td></tr>
<tr><td>Anthony Wong</td><td>20 June 2014</td><td>21 April 2015</td><td>China Public Procurement Limited</td></tr>
<tr><td>Ng Hong Whee</td><td>20 June 2014</td><td>21 April 2015</td><td>Communication Design International Limited</td></tr>
</table>
Mr. Charles Spackman and Mr. Ng Hong Whee will retire by rotation pursuant to the Constitution of the Company, and will, being eligible and having consented, be nominated for re-election as Directors at the forthcoming AGM. Upon re-election, Mr. Charles Spackman will remain as the Executive Chairman and CEO of the Company and a member of the NC, while Mr. Ng Hong Whee will remain as an Independent Director of the Company, Chairman of the RC and a member of the ARMC. Mr. Ng Hong Whee will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.
Mr. Jung Suk Young who was appointed to the Board in FY2016 will also retire at the forthcoming AGM pursuant to the Constitution of the Company, and will, being eligible and having consented, be nominated for re-election as a Director at the forthcoming AGM. Upon re-election, Mr. Jung Suk Young will remain as an Executive Director of the Company.
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
5.3</td><td>What is the performance criteria set to evaluate the effectiveness of the Board as a whole and its board committees, and for assessing the contribution by each Director to the effectiveness of the Board?</td><td>Table 5 sets out the performance criteria, as recommended by the NC and approved by the Board, to be relied upon to evaluate the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution by each Director to the effectiveness of the Board:
<table>
<tr><td colspan="3">Table 5</td></tr>
<tr><th>Performance Criteria</th><th>Board and Board Committees</th><th>Individual Directors</th></tr>
<tr><td>Qualitative</td><td>1. Size and composition
2. Access to information
3. Board processes
4. Strategic planning
5. Board accountability
6. Risk management
7. Succession planning</td><td>1. Commitment of time
2. Knowledge and abilities
3. Teamwork
4. Independence (if applicable)
5. Overall effectiveness</td></tr>
<tr><td>Quantitative</td><td>1. Return on equity
2. Performance of the Company's share price over a 3-year period vis-à-vis the FTSE Straits Time Index and a benchmark of the Company's industry peers</td><td>1. Attendance at Board and Board Committee meetings</td></tr>
</table>
The NC would review the criteria on a periodic basis to ensure that the criteria is able to provide an accurate and effective performance assessment taking into consideration industry standards and the economic climate with the objective to enhance long term shareholders value, thereafter propose amendments if any, to the Board for approval.

The NC did not propose any changes to the performance criteria for FY2016 as compared to the previous financial year as the economic climate, Board composition, the Group's principal business activities remained substantially the same since FY2015.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?	The review of the performance of the Board and the Board Committees is conducted by the NC annually. The review of the performance of each Director is also conducted at least annually and when the individual Director is due for re-election. The Company had conducted its review in February 2017 and the process was as follows: 1. All Directors individually completed a board evaluation questionnaire on the effectiveness of the Board, the Board Committees and the individual Directors based on criteria disclosed in Table 5 above; 2. One of the Company Secretaries collated and submitted the questionnaire results to the NC Chairman in the form of a report; and 3. The NC discussed the report and concluded the performance results during the NC meeting. All NC members have abstained from the voting or review process of any matters in connection with the assessment of his/her performance. No external facilitator was used in the evaluation process.
	(b) Has the Board met its performance objectives?	Yes, the Board has met its performance objectives.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td colspan="3"><u>Access to Information</u></td></tr>
<tr><td>6.1
6.2</td><td>What types of information does the Company provide to Independent Directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?</td><td>
It is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's performance, position and prospects. This responsibility extends to the interim and full-year financial results announcements, other price-sensitive public reports and reports to regulators (if required).
Management provides the Board with key information that is complete, adequate and timely. The types of information which are provided by Management to Independent Directors are set out in the table below:
<table>
<tr><td colspan="3">Table 6 – Types of information provided by key management personnel to Independent Directors</td></tr>
<tr><th></th><th>Information</th><th>Frequency</th></tr>
<tr><td>1.</td><td>Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)</td><td>Quarterly, and when necessary</td></tr>
<tr><td>2.</td><td>Updates to the Group's operations and the markets in which the Group operates in</td><td>Quarterly</td></tr>
<tr><td>3.</td><td>Budgets and/or forecasts (with variance analysis)</td><td>Quarterly</td></tr>
<tr><td>4.</td><td>Management accounts</td><td>Monthly[1]</td></tr>
<tr><td>5.</td><td>Reports on on-going or planned corporate actions</td><td>Quarterly, and when necessary</td></tr>
<tr><td>6.</td><td>EA report(s) and Internal auditors' ("IA") report(s)</td><td>Annually</td></tr>
<tr><td>7.</td><td>Research report(s)</td><td>Quarterly</td></tr>
</table>
Note:
(1) The Management will provide the management accounts on a monthly basis or when available.
Management will also on best endeavours, encrypt documents which bear material price sensitive information when circulating documents electronically.
Key management personnel will also provide any additional material or information that is requested by Directors or that is necessary to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects.
</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
REMUNERATION MATTERS		
Developing Remuneration Policies		
7.1	What is the role of the RC?	The RC is guided by key terms of reference as follows: (a) Review and recommend to the Board a general framework of remuneration and specific remuneration packages for each Director and key management personnel; (b) Review and recommend to the Board the service contracts of Executive Directors and key management personnel and ensure that such services contracts are fair and not excessively long or with onerous renewal/termination clauses; (c) Reviewing the on-going appropriateness and relevance of the executive remuneration policy and other benefit programs; (d) Considering, reviewing and approving and/or varying (if necessary) the entire specific remuneration package and service contract terms for each member of key management (including salaries, allowances, bonuses, payments, options, benefits in kind, retirement rights, severance packages and service contracts) having regard to the executive remuneration policy for each of the companies within the Group; (e) Considering and approving termination payments, retirement payments, gratuities, ex-gratia payments, severance payments and other similar payments to each member of key management; (f) Determining, reviewing and approving the design of all option plans, stock plans and/or other equity based plans that the Group proposes to implement, to determine each year whether awards will be made under such plans, to review and approve each award as well as the total proposed awards under each plan in accordance with the rules governing each plan and to review, approve and keep under review performance hurdles and/or fulfilment of performance hurdles under such plans; (g) Reviewing the remuneration of employees who are related to the Directors and substantial shareholders of the Company to ensure that their remuneration packages are in line with the staff remuneration guideline and commensurate with their respective job scopes and level of responsibilities; and (h) To administer the Spackman Entertainment Group Limited Employee Share Option Scheme.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
7.3	Were remuneration consultants engaged in the last financial year?	No remuneration consultants were engaged by the Company in FY2016.
8.4	Are "claw-back" provisions provided for in the service agreements of Executive Directors and key management personnel?	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.
Disclosure on Remuneration		
9	What is the 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.

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>9.1
9.2</td>
<td>Has the Company disclosed each Director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</td>
<td>The breakdown for the remuneration of the Directors for FY2016 is as follows:
<table>
<tr><th colspan="8">Table 9.2 – Remuneration of Directors</th></tr>
<tr><th>Name</th><th>Remuneration band[1]</th><th>Salary (%)</th><th>Bonus (%)</th><th>Directors fee (%)</th><th>Benefits-in-kind (%)</th><th>Others (%)</th><th>Total (%)</th></tr>
<tr><td>Charles Spackman</td><td>A</td><td>100</td><td>–</td><td>–</td><td>–</td><td>–</td><td>100</td></tr>
<tr><td>Eugene Lee</td><td>B</td><td>92</td><td>–</td><td>–</td><td>–</td><td>8</td><td>100</td></tr>
<tr><td>Tae Hun Lee[2]</td><td>A</td><td>100</td><td>–</td><td>–</td><td>–</td><td>–</td><td>100</td></tr>
<tr><td>Jung Suk Young[3]</td><td>A</td><td>92</td><td>–</td><td>–</td><td>–</td><td>8</td><td>100</td></tr>
<tr><td>Jessie Ho</td><td>A</td><td>–</td><td>–</td><td>100</td><td>–</td><td>–</td><td>100</td></tr>
<tr><td>Anthony Wong</td><td>A</td><td>–</td><td>–</td><td>100</td><td>–</td><td>–</td><td>100</td></tr>
<tr><td>Ng Hong Whee</td><td>A</td><td>–</td><td>–</td><td>100</td><td>–</td><td>–</td><td>100</td></tr>
</table>
Notes:
(1) Remuneration bands:
"A" refers to remuneration of up to S$250,000 per annum.
"B" refers to remuneration from S$250,001 to S$500,000 per annum.
(2) Mr. Tae Hun Lee resigned as Director and CEO of the Company with effect from 8 March 2016.
(3) Mr. Jung Suk Young was appointed as Executive Director of the Company with effect from 1 September 2016.

No Directors received any stock options for FY2016.

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

There were no termination, retirement and post-employment benefits that were granted to the Directors, CEO and the key management personnel (who are not Directors or the CEO) for FY2016.</td>
</tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or more in detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	The breakdown for the remuneration of the Group's top 6 key management personnel (who are not Directors or the CEO) for FY2016 is as follows: (see Table 9.3 below)

Table 9.3 – Remuneration of Key Management Personnel

Name	Remuneration band[1]	Salary (%)	Bonus (%)	Others[2] (%)	Total (%)
Kyoungwon Na	A	100	–	–	**100**
Richard Lee[3]	A	100	–	–	**100**
Jung Hyun Lee[4]	A	57	–	43	**100**
Eun Ja Kim[5]	A	58	–	42	**100**
Grace Teo[6]	A	86	–	14	**100**
Jasmine Leong[7]	A	77	8	15	**100**

Notes:

(1) Remuneration band "A" refers to remuneration of up to S$250,000 per annum.

(2) Others refer to defined contribution benefits. Please refer to note 7 of the financial statements on page 92 of the annual report for further details.

(3) Richard Lee ceased as Head of Business Development of the Company with effect from 30 September 2016.

(4) Jung Hyun Lee ceased as Head of Investment and Production of the Company with effect from 22 April 2016.

(5) Eun Ja Kim ceased as Senior Manager of Finance and Administration of the Company with effect from 26 April 2016.

(6) Grace Teo ceased as General Manager of the Company with effect from 30 April 2016.

(7) Jasmine Leong was appointed as Senior Manager of the Company with effect from 8 August 2016.

No key management personnel received any stock options for FY2016.

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).	The total remuneration paid to the top 6 key management personnel for FY2016 was US$324,893.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
9.4	Is there any employee who is an immediate family member of a Director or the CEO, and whose remuneration exceeds S$50,000 during the last financial year? If so, please identify the employee and specify the relationship with the relevant Director or the CEO.	There was no employee of the Group who was an immediate family of a Director or the CEO whose remuneration exceeded S$50,000 in FY2016.
9.5	Please provide details of the employee share scheme(s).	The Company has adopted a share option scheme known as the "Spackman Entertainment Group Limited Employee Share Option Scheme" on 20 June 2014 ("**Scheme**"). The Scheme is designed to reward and retain employees whose services are vital to the Group's well-being and success. Factors which will be considered by the Administration Committee (as defined herein) in determining the number of options to be granted, and whether to give a discount and the quantum of the discount, include, *inter alia*, the performance of the Group and the performance of the participant concerned, the contribution of the participant to the success and development of the Group and the prevailing market conditions. For instance, where the Group needs to provide more compelling motivation for specific business units to improve their performance, grants of options will help to align the interests of employees with those of shareholders by encouraging them to focus more on improving the profitability and return of the Group above a certain level which will benefit all shareholders when these are eventually reflected through share price appreciation. The Scheme allows for participation by confirmed employees of the Group (including Executive Directors) and Non-Executive Directors (including Independent Directors) who have attained the age of 21 years on or prior to the date of grant of the option, provided that none of them is an undischarged bankrupt or have entered into a composition with his creditors. Controlling shareholders and their associates who meet the eligibility criteria above shall be eligible to participate in the Scheme, provided that (a) the participation of, and (b) the terms of any options to be granted and the actual number of options to be granted under the Scheme, to a participant who is a controlling shareholder or an associate of a controlling shareholder shall be approved by the independent shareholders in separate resolutions for each such person. The Company will at such time provide the rationale and justification for any proposal to grant the controlling shareholder or his associate any options (including the rationale for any discount to the market price, if so proposed).

CORPORATE GOVERNANCE REPORT

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

Since the commencement of the Scheme up to the date of this report, no options have been granted under the Scheme. Further details on the Scheme were set out in the Company's Offer Document dated 11 July 2014.</td></tr>
<tr><td>9.6</td><td>(a) Please describe how the remuneration received by Executive Directors and key management personnel has been determined by the performance criteria.</td><td>The remuneration received by the Executive Directors and key management personnel takes into consideration his or her individual performance and contribution towards the overall performance of the Group for FY2016. Their remuneration is made up of fixed and variable compensations. The fixed compensation consists of an annual base salary, fixed allowance and annual wage supplement. The variable compensation is determined based on the level of achievement of corporate and individual performance objectives.</td></tr>
<tr><td></td><td>(b) What were the performance conditions used to determine their entitlement under the short term and long term incentive schemes?</td><td>The following performance conditions were chosen for the Group to remain competitive and to motivate the Executive Directors and key management personnel to work in alignment with the goals of all stakeholders:

<table>
<tr><td colspan="3">Table 9.6(b)</td></tr>
<tr><th>Performance Conditions</th><th>Short-term Incentives
(such as performance bonus)</th><th>Long-term Incentives
(such as the Scheme)</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>
<tr><td></td><td>(c) Were all of these performance conditions met? If not, what were the reasons?</td><td>In view that the Group reported a net loss for FY2016, the quantitative performance conditions have not been met. Save for the aforementioned, the remaining conditions were satisfied.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
ACCOUNTABILITY AND AUDIT		
Risk Management and Internal Controls		
11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.	The Board is of the view that the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective for FY2016. The bases for the Board's view are as follows: 1. Assurance has been received from the CEO and CFO; 2. An internal audit has been done by the internal auditors ("**IA**") and significant matters highlighted to the ARMC and key management personnel were appropriately addressed; 3. Key management personnel regularly evaluates, monitors and reports to the ARMC on material risks; and 4. Discussions were held between the ARMC and auditors in the absence of the key management personnel to review and address any potential concerns. The Company is gradually placing emphasis on sustainability and would implement appropriate policies and programmes when the opportunities arise.
	(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the IA that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	Yes, the Board has obtained such assurance from Mr. Charles Spackman, the Chairman and CEO of the Company, and CFO in respect of FY2016. 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, Novus Mediacorp Co., Ltd and Zip Cinema Co., Ltd. which were issued to the Company in February 2017 as assurances that the Company's risk management and internal control systems are effective.

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE REPORT

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

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

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

(q) Reviewing the whistle blowing policy and arrangements by which the staff and external parties may, in confidence, raise concerns about improprieties in matters of financial reporting or other matters, and to ensure that those arrangements are in place for independent investigations of such matters and for appropriate follow-up.</td></tr>
<tr><td>12.5</td><td>Has the ARMC met with the auditors in the absence of key management personnel?</td><td>Yes, the ARMC has met with the IA and the external auditors ("EA") once in the absence of key management personnel in February 2017.</td></tr>
<tr><td rowspan="3">12.6</td><td>Has the ARMC reviewed the independence of the EA?</td><td>There were no non-audit services provided by the EA in FY2016. The ARMC has reviewed, and is satisfied with, the independence of the EA and has recommended the re-appointment of the EA at the forthcoming AGM.</td></tr>
<tr><td>(a) Please provide a breakdown of the fees paid in total to the EA for audit and non-audit services for the financial year.</td><td><table>
<tr><th colspan="3">Table 12.6(a) – Fees Paid/Payable to the EA for FY2016</th></tr>
<tr><th></th><th>US$</th><th>% of total</th></tr>
<tr><td>Audit fees</td><td>55,309</td><td>100</td></tr>
<tr><td>Non-audit fees</td><td>–</td><td>–</td></tr>
<tr><td>Total</td><td>55,309</td><td>100</td></tr>
</table></td></tr>
<tr><td>(b) If the EA have supplied a substantial volume of non-audit services to the Company, please state the bases for the ARMC's view on the independence of the EA.</td><td>There were no non-audit services rendered during FY2016.</td></tr>
<tr><td>12.7</td><td>Does the Company have a whistle-blowing policy?</td><td>Yes. The Company's staff and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters by submitting a whistle blowing report to the appointed officer or Executive Chairman of the Company or a member of ARCM.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
12.8	What are the ARMC's activities or the measures it has taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements?	The ARMC was briefed by the EA on changes or amendments to accounting standards.
Internal Audit		
13.1 13.2 13.3 13.4 13.5	Please provide details of the Company's internal audit function, if any.	The Company's internal audit function is outsourced to Crowe Horwath First Trust Risk Advisory Pte. Ltd. ("**Crowe Horwath**") that reports directly to the ARMC Chairman and administratively to the CEO and CFO. The ARMC reviews and approves the internal audit plan to ensure the adequacy of the scope of audit. The internal audit plan complements that of the external auditors and together forms a robust risk-based audit approach to facilitate the AC's review of the adequacy and effectiveness of the Group's risk management and internal control systems. The ARMC is satisfied that internal auditor is able to discharge its duties effectively as the internal auditor: • is adequately qualified, given that it is a member of the Institute of Internal Auditors and aligns its practices to the Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors; • is adequately resourced as there is a team of 6 members assigned to the Company's internal audit, led by Alfred Cheong who has more than 20 years of relevant experience; and • has the appropriate standing in the Company, given, inter alia, its involvement in certain AC meetings and its unfettered access to all the Group's documents, records, properties and personnel, including direct access to the AC.
SHAREHOLDER RIGHTS AND RESPONSIBILITIES		
Shareholder Rights		
14.2	Are shareholders informed of the rules, including voting procedures, that govern general meetings of shareholders?	Shareholders are entitled to attend the general meetings of shareholders and are afforded the opportunity to participate effectively in and vote at general meetings of shareholders. An independent polling agent is appointed by the Company for general meetings who will explain the rules, including the voting procedures, that govern the general meetings of shareholders.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
14.3	Are corporations which provide nominee or custodial services allowed to appoint more than two proxies?	The Company's Constitution allows a shareholder to appoint up to two proxies to attend and vote in the shareholder's place at the general meetings of shareholders. Pursuant to the introduction of the multiple proxies regime under the Singapore Companies (Amendment) Act 2014, indirect investors who hold the Company's shares through a nominee company or custodian bank or through a Central Provident Fund agent bank may attend and vote at general meetings.
Communication with Shareholders		
15.1	(a) Does the Company have an investor relations policy?	The Company has in place an investor relations policy to promote regular, effective and fair communication. The Company's investor relations website (http://www.spackmanentertainmentgroup.com/investor-relations2.html) is a key resource of information for the investment community. It contains comprehensive information on the Company, including annual reports, corporate filings, past financial results, announcements, press releases, research reports and related news articles. The Company regularly updates its website to keep its stakeholders up to date. The key media and investor relations contact is also shared on the Company's website.
15.2 15.3 15.4	(b) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?	The Company solicits feedback from and addresses the concerns of shareholders (including institutional and retail investors) via the following: • a dedicated internal investor relations officer whose contact details can be found on our corporate website at www.spackmanentertainmentgroup.com or the back inside cover of the annual report; • investor and analyst briefings; and • investor roadshows. The Company held several investor briefings in FY2016 to meet with its institutional and retail investors.
	(c) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	Yes, the Company has a dedicated investor relations team.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(d) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	Apart from the SGXNET announcements and its annual report, the Company updates shareholders on its corporate developments through its corporate website at www.spackmanentertainmentgroup.com.
15.5	Does the Company have a dividend policy?	The Company does not have a fixed dividend policy. Nonetheless, key management personnel will review, *inter alia*, the Group's performance in the relevant financial period, projected capital needs and working capital requirements and make appropriate recommendations to the Board on dividend declaration.
	Is the Company is paying dividends for the financial year? If not, please explain why.	The Board has not declared or recommended any dividend for FY2016, as the Company was not profitable for FY2016.
CONDUCT OF SHAREHOLDER MEETINGS		
16.1 16.3 16.4 16.5	How are the general meetings of shareholders conducted?	The Company's Constitution allows for abstentia voting, including but not limited to the voting by mail or electronic mail. The Company requires all Directors (including the respective chairmen of the Board Committees) to be present at all general meetings of shareholders, unless of exigencies. The EA is also required to be present to address shareholders' queries about the conduct of audit and the preparation and content of the independent auditor's report. All resolutions are put to vote by electronic poll, so as to better reflect shareholders' interest and ensure greater transparency. Votes cast for and against each resolution will be tallied and displayed live-on-screen to shareholders immediately at the meeting. The detailed results including the total number and percentage of votes cast for and against each resolution will be announced via SGXNET after the conclusion of the general meeting. All minutes of general meetings, including the questions raised by shareholders in relation to the meeting agenda and the responses from the Board and/or Management, will made available to shareholders upon their request after the general meeting.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
COMPLIANCE WITH APPLICABLE CATALIST RULES		
Catalist Rule	**Rule Description**	**Company's Compliance or Explanation**
712, 715 or 716	Appointment of Auditors	The Company confirms its compliance to the Catalist Rules 712 and 715.
1204(8)	Material Contracts	There were no material contracts entered into by the Group involving the interest of the CEO, any Director, or controlling shareholder, which are either still subsisting at the end of FY2016 or if not then subsisting, entered into since the end of the previous financial year.
1204(10)	Confirmation of adequacy of internal controls	The Board and the ARMC are of the opinion that the internal controls are adequate to address the financial, operational, compliance and information technology risks which the Group considers relevant and material to its current business scope and environment based on the following: • internal controls established by the Company; • work performed by the IA and EA; • assurance from the acting CEO and CFO; and • review performed by the various Board Committees and key management personnel. The system of internal controls and risk management established by the Company provides reasonable, but not absolute assurance that the Company will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

CORPORATE GOVERNANCE REPORT

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

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

The aggregate value of interested person transactions during FY2016 is as follows:

<table>
<tr><th>Name of interested person</th><th>Aggregate value of all interested person transactions for FY2016 (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 FY2016 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) S$'000</th></tr>
<tr><td>Spackman Equities Group Inc.[1]</td><td>146[2]</td><td>Not applicable</td></tr>
</table>

Notes:
(1) Spackman Equities Group Inc. is a controlling shareholder of the Company with an approximate shareholding interest of 32.85% in the Company as at 22 March 2017.
(2) This relates to the monthly rental payable under the lease agreement dated 28 December 2015 between the Company's wholly-owned subsidiary, Spackman Entertainment (HK) Limited (the "Lessor") and Spackman Equities Group Inc. (the "Lessee") for usage of office starting from 16 January 2016.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide 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	There were no non-sponsor fees paid to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. in FY2016.
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 2016.

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 65 to 122 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 2016 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended in accordance with the provisions of the Companies Act, Chapter 50 and Financial Reporting Standards in Singapore; and

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

DIRECTORS

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

Charles Choi Spackman ("Charles Spackman")
Yoo Jin Lee ("Eugene Lee")
Thong Yuen Siew Jessie ("Jessie Ho")
Anthony Wei Kit Wong ("Anthony Wong")
Ng Hong Whee
Suk Young Jung (Appointed on 1 September 2016)

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 director	
Name of director	**At 1.1.2016/ Date of appointment**	**At 31.12.2016**
Eugene Lee	23,160,000	23,160,000
Suk Young Jung	3,460,209	3,460,209

The directors' interests in ordinary shares and share options of the Company as at 21 January 2017 were the same as those as at 31 December 2016.

DIRECTORS' STATEMENT

SHARE OPTIONS

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

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

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

AUDIT COMMITTEE

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

Anthony Wong (Chairman)
Jessie Ho
Ng Hong Whee

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

In performing its functions, the Audit Committee met with the Company's internal and external auditor to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

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

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

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

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

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

DIRECTORS' STATEMENT

AUDIT COMMITTEE (CONT'D)

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

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

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

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

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

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

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

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

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

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

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

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

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

DIRECTORS' STATEMENT

INDEPENDENT AUDITOR

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

On behalf of the directors

Charles Spackman Director	Eugene Lee Director

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 financial statements of Spackman Entertainment Group Limited (the "Company") and its subsidiaries (the "Group"), as set out on pages 65 to 122, which comprise the balance sheets of the Group and the Company as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 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.

Accounting for share swap of the Group's 45.8% interest in its associated company, Spackman Media Group Pte. Ltd., in consideration for newly issued shares approximating 27.2% interest in Spackman Media Group Limited

As disclosed in Note 2(y) and 17 to the financial statements, on 13 May 2016, the Group has completed the share swap of the Group's 45.8% interest in its associated company, Spackman Media Group Pte. Ltd. ("SMGPL"), in consideration for newly issued shares approximating 27.2% interest in Spackman Media Group Limited ("SMGL"). Following the completion of the share swap, the Group owns an approximately 27.2% equity interest in SMGL and SMGPL ceased to be an associated company of the Group. This was a significant event for the Group and the accounting for this share swap required significant management judgements and estimates, including but not limited to the assessment of the Group's significant influence over SMGL, the determination of the acquisition-date fair value of the consideration transferred by the Group and acquisition-date fair value of the net identifiable assets of SMGL.

The acquisition-date fair value of the consideration transferred by the Group for its interest in SMGL is based on the fair value of equity interest of SMGPL given up as management has assessed that the fair value of equity interest of SMGPL is more reliably measurable than the fair value of equity interest in SMGL. As at 31 December 2016, the carrying amount of the investment in associated company, SMGL amounted to USD3,433,315 which includes a goodwill on acquisition of USD630,412. The loss on disposal of associated company recorded in profit or loss for the year amounted to USD94,478.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SPACKMAN ENTERTAINMENT GROUP LIMITED

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

Key Audit Matters (cont'd)

Our procedures to address the key audit matter

We reviewed the relevant contracts and documents including documents supporting management's assessment of the Group's significant influence over SMGL, fair value of equity interest in SMGPL and fair value of net identifiable assets of SMGL. We evaluated management's assessment of the Group's significant influence over SMGL, determination of acquisition-date fair value of consideration transferred and accounting treatment of the share swap.

We independently evaluated management's assessment of the acquisition-date fair value of equity interest of SMGPL and the Group's acquisition-date share of fair value of net identifiable assets of SMGL. We have also recalculated the goodwill on acquisition of SMGL recognised and the loss on disposal of associated company.

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

Information Other than the Financial Statements and Auditor's Report Thereon

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SPACKMAN ENTERTAINMENT GROUP LIMITED

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SPACKMAN ENTERTAINMENT GROUP LIMITED

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

3 April 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 USD	2015 USD
Continuing operations			
Revenue	3	**15,135,061**	17,767,894
Cost of sales		**(19,137,214)**	(9,926,072)
Gross (loss)/profit		**(4,002,153)**	7,841,822
Other income	4	**8,413,257**	715,824
Expenses			
Selling expenses		**(404,643)**	(392,730)
General and administrative expenses		**(5,362,699)**	(5,632,919)
Finance costs	5	**(121,306)**	(76,030)
Other expenses		**(834,054)**	(4,822,951)
Share of results of associated companies	17	**(71,282)**	1,246,618
Loss before tax	6	**(2,382,880)**	(1,120,366)
Tax credit/(expense)	8	**129,614**	(391,424)
Loss from continuing operations		**(2,253,266)**	(1,511,790)
(Loss)/profit from discontinued operation, net of tax	9	**(371,002)**	238,657
Loss for the year		**(2,624,268)**	(1,273,133)
Other comprehensive loss			
Items that are or may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		**(243,875)**	(564,421)
Currency translation differences reclassified to profit or loss on:			
– Disposal of subsidiaries		**123,292**	–
– Disposal of associated company		**126,028**	–
Share of other comprehensive loss of associated companies		**(104,326)**	(146,628)
		(98,881)	(711,049)
Total comprehensive loss for the year		**(2,723,149)**	(1,984,182)
Loss attributable to:			
Equity holders of the Company		**(2,424,734)**	(1,114,077)
Non-controlling interests		**(199,534)**	(159,056)
Loss for the year		**(2,624,268)**	(1,273,133)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(2,504,390)**	(1,706,236)
Non-controlling interests		**(218,759)**	(277,946)
		(2,723,149)	(1,984,182)
Loss per share for loss attributable to equity holders of the Company (cents per share)			
Basic and diluted			
From continuing and discontinued operation	10	**(0.61)**	(0.28)
From continuing operations	10	**(0.54)**	(0.31)
From discontinued operation	10	**(0.07)**	0.03

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

BALANCE SHEETS

AT 31 DECEMBER 2016

		Group		Company	
		2016	2015	2016	2015
	Note	USD	USD	USD	USD
Non-current assets					
Property, plant and equipment	11	**3,080,207**	3,337,769	**11,719**	13,712
Intangible assets	12	**936,712**	840,586	**277**	–
Investment in subsidiaries	16	**–**	–	**16,245,427**	16,245,427
Investment in associated company	17	**3,433,315**	3,577,373	**3,297,670**	2,477,383
Film production inventories	13	**354,817**	1,762,255	**–**	–
Deferred tax assets	14	**122,460**	–	**–**	–
Long-term investment	18	**–**	59,727	**–**	–
Total non-current assets		**7,927,511**	9,577,710	**19,555,093**	18,736,522
Current assets					
Film production inventories	13	**69,475**	6,671,824	**–**	–
Inventories		**4,575**	3,498	**–**	–
Investments	18	**4,456,510**	6,887,447	**–**	–
Loan to subsidiaries	15	**–**	–	**429,050**	1,733,163
Trade and other receivables	19	**3,615,030**	21,108,777	**398,738**	159,223
Cash and cash equivalents	20	**5,936,388**	4,114,235	**470,222**	823,614
		14,081,978	38,785,781	**1,298,010**	2,716,000
Disposal group assets classified as held for sale	9	**–**	8,947,813	**–**	–
Total current assets		**14,081,978**	47,733,594	**1,298,010**	2,716,000
Total assets		**22,009,489**	57,311,304	**20,853,103**	21,452,522
Non-current liabilities					
Borrowings	23	**1,903,186**	1,962,457	**–**	–
Other non-current liabilities		**135,775**	38,884	**–**	–
Deferred tax liabilities	14	**34,534**	307,432	**–**	–
Total non-current liabilities		**2,073,495**	2,308,773	**–**	–
Current liabilities					
Trade and other payables	21	**3,013,379**	15,704,708	**181,399**	163,315
Film obligations and production loans	24	**911,568**	10,226,109	**–**	–
Deferred revenue	22	**2,649,197**	3,832,763	**–**	–
Borrowings	23	**–**	3,122,868	**–**	–
Tax payable		**153,229**	–	**–**	–
		6,727,373	32,886,448	**181,399**	163,315
Liabilities directly associated with disposal group classified as held for sale	9	**–**	5,421,095	**–**	–
Total current liabilities		**6,727,373**	38,307,543	**181,399**	163,315
Total liabilities		**8,800,868**	40,616,316	**181,399**	163,315
Net assets		**13,208,621**	16,694,988	**20,671,704**	21,289,207

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

BALANCE SHEETS

AT 31 DECEMBER 2016

		Group		Company	
		2016	2015	2016	2015
	Note	USD	USD	USD	USD
Equity					
Share capital	25	**25,019,233**	25,019,233	**25,019,233**	25,019,233
Other reserves	26	**(3,386,398)**	(3,099,598)	**–**	–
Accumulated losses		**(9,072,196)**	(6,647,462)	**(4,347,529)**	(3,730,026)
Reserve of disposal group classified as held for sale	9	**–**	(207,144)	**–**	–
Equity attributable to equity holders of the Company, total		**12,560,639**	15,065,029	**20,671,704**	21,289,207
Non-controlling interests		**647,982**	1,629,959	**–**	–
Total equity		**13,208,621**	16,694,988	**20,671,704**	21,289,207

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Group	Share capital USD	Other reserves USD	Accumulated losses USD	Reserve of disposal group classified as held for sale USD	Total USD	Non-controlling interests USD	Total equity USD
Balance at 1 January 2016	25,019,233	(3,099,598)	(6,647,462)	(207,144)	15,065,029	1,629,959	16,694,988
Loss for the year	–	–	(2,424,734)	–	(2,424,734)	(199,534)	(2,624,268)
Other comprehensive loss							
Share of other comprehensive loss of associated companies	–	(104,326)	–	–	(104,326)	–	(104,326)
Currency translation differences on consolidation	–	(309,635)	–	84,985	(224,650)	(19,225)	(243,875)
Currency translation differences reclassified to profit or loss on:							
– Disposal of subsidiaries	–	1,133	–	122,159	123,292	–	123,292
– Disposal of associated company	–	126,028	–	–	126,028	–	126,028
Total comprehensive (loss)/income for the year	–	(286,800)	(2,424,734)	207,144	(2,504,390)	(218,759)	(2,723,149)
Disposal of subsidiaries (note 16c)	–	–	–	–	–	(763,218)	(763,218)
Balance at 31 December 2016	**25,019,233**	**(3,386,398)**	**(9,072,196)**	**–**	**12,560,639**	**647,982**	**13,208,621**
Balance at 1 January 2015	24,427,906	(2,714,583)	(5,533,385)	–	16,179,938	1,129,481	17,309,419
Loss for the year	–	–	(1,114,077)	–	(1,114,077)	(159,056)	(1,273,133)
Other comprehensive loss							
Share of other comprehensive loss of associated company	–	(146,628)	–	–	(146,628)	–	(146,628)
Currency translation differences on consolidation	–	(445,531)	–	–	(445,531)	(118,890)	(564,421)
Total comprehensive loss for the year	–	(592,159)	(1,114,077)	–	(1,706,236)	(277,946)	(1,984,182)
Reserve attributable to disposal group classified as held for sale	–	207,144	–	(207,144)	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	778,424	778,424
Shares issued for acquisition of a subsidiary	591,327	–	–	–	591,327	–	591,327
Balance at 31 December 2015	25,019,233	(3,099,598)	(6,647,462)	(207,144)	15,065,029	1,629,959	16,694,988

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Share capital USD	Accumulated losses USD	Total equity USD
Company			
Balance at 1 January 2016	25,019,233	(3,730,026)	21,289,207
Loss for the year	–	(617,503)	(617,503)
Balance at 31 December 2016	**25,019,233**	**(4,347,529)**	**20,671,704**
Balance at 1 January 2015	24,427,906	(2,185,191)	22,242,715
Loss for the year	–	(1,544,835)	(1,544,835)
Shares issued for acquisition of a subsidiary	591,327	–	591,327
Balance at 31 December 2015	25,019,233	(3,730,026)	21,289,207

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 USD	2015 USD
Cash flows from operating activities			
Loss before tax from continuing operations		**(2,382,880)**	(1,120,366)
(Loss)/profit before tax from discontinued operation	9	**(351,060)**	436,253
Loss before tax, total		**(2,733,940)**	(684,113)
Adjustments for:			
Depreciation of property, plant and equipment		**209,459**	137,739
Interest income		**(75,277)**	(160,945)
Interest expense		**121,306**	76,030
Impairment loss on film production inventories	6	**111,275**	623,874
Share of results of associated companies		**71,282**	(1,246,618)
Loss on disposal of associated company		**94,478**	–
Amortisation of intangible assets	12	**32,426**	6,840
Fair value loss/(gain) on investment in insurance products		**9,415**	(1,571)
Impairment loss on available-for-sale investments	6	**649,563**	17,676
Fair value gain on investment in mutual funds	4	**(10,908)**	(4,071)
Allowance for doubtful debts		**27,044**	328,375
Reversal of allowance for doubtful debt		**(183,761)**	(44,190)
Property, plant and equipment written off		**–**	14,192
Profit on film distributable to external investors	6	**602,858**	4,199,077
Loss on film borne by external investors	4	**(5,449,696)**	–
Reversal of loss on film borne by external investors	6	**25,443**	–
Gain on disposal of subsidiaries	16c	**(2,398,118)**	–
Loss on disposal of property, plant and equipment		**33,873**	–
Gain on disposal of investments		**(18,572)**	–
Operating (loss)/profit before working capital changes		**(8,881,850)**	3,262,295
Change in operating assets and liabilities, net of effects from acquisition of subsidiaries:			
Investment in theatrical film projects, net		**(878,931)**	(39,116)
Inventories		**(1,231)**	4,476
Film production inventories		**1,727,439**	(6,253,670)
Receivables		**24,213,875**	(19,500,216)
Payables		**(9,532,524)**	6,127,437
Currency translation adjustments		**114,402**	(221,763)
Cash generated from/(used in) operations		**6,761,180**	(16,620,557)
Interest received		**21,679**	144,123
Income tax paid		**(391,689)**	(80,666)
Net cash generated from/(used in) operating activities		**6,391,170**	(16,557,100)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 USD	2015 USD
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**87,489**	–
Purchases of property, plant and equipment		**(193,112)**	(2,782,741)
Purchases of intangible assets	12	**(223,040)**	(6,210)
Acquisition of a subsidiary		**–**	(498,538)
Net cash from disposal of subsidiaries	16c	**919,005**	–
Acquisition of associated company		**–**	(1,000,000)
Proceeds from disposal of long term investment		**59,211**	–
Purchases of insurance products		**–**	(102,357)
Purchases of short term investments		**(1,236,963)**	(3,281,509)
Proceeds from disposal of short term investments		**2,230,837**	989,312
Additional short term loans		**(337,407)**	(639,630)
Repayment of short term loans		**424,128**	1,254,300
Net cash generated from/(used in) investing activities		**1,730,148**	(6,067,373)
Cash flows from financing activities			
Interest paid		**(163,416)**	(134,305)
Repayment of borrowings		**(2,604,916)**	(429,813)
Proceeds from borrowings		**1,104,811**	5,193,149
Proceeds from film obligations and production loans		**3,642,003**	14,899,210
Payment of box office proceeds to investors		**(10,013,870)**	(2,802,666)
Net cash (used in)/generated from financing activities		**(8,035,388)**	16,725,575
Net increase/(decrease) in cash and cash equivalents		**85,930**	(5,898,898)
Cash and cash equivalent at beginning of the financial year		**5,948,930**	12,176,169
Effect of exchange rate changes		**(98,472)**	(328,341)
Cash and cash equivalents at end of the financial year		**5,936,388**	5,948,930
Cash and cash equivalents			
– Continuing operations (note 20)		**5,936,388**	4,114,235
– Discontinued operation (note 9)		**–**	1,834,695
		5,936,388	5,948,930

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

1 CORPORATE INFORMATION

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

New standards, amendments to standards and interpretations that have been issued at the balance sheet date but are not yet effective for the financial year ended 31 December 2016 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company, except as disclosed as follows:

FRS 115 Revenue from Contracts with Customers

FRS 115 replaces FRS 18 'Revenue', FRS 11 'Construction contracts' and other revenue-related interpretations. It applies to all contracts with customers, except for leases, financial instruments, insurance contracts and certain guarantee contracts and non-monetary exchange contracts. FRS 115 provides a single, principle-based model to be applied to all contracts with customers. An entity recognises revenue in accordance with the core principle in FRS 115 by applying a 5-step approach.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. FRS 115 includes disclosure requirements that will result in disclosure of comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Management is currently assessing the impact of applying the new standard on the Group's financial statements.

The Group plans to adopt the standard when it becomes effective in financial year ending 31 December 2018.

FRS 109 Financial Instruments

FRS 109 which replaces FRS 39, includes guidance on (i) the classification and measurement of financial assets and financial liabilities; (ii) impairment requirements for financial assets; and (iii) general hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace FRS 39 incurred loss model.

(a) *Classification and measurement*

The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109.

- Loans and receivables that are currently accounted for at amortised cost will continue to be accounted using amortised cost model under FRS 109.
- The Group will be able to elect to present changes in fair value in other comprehensive income (OCI) for equity instruments currently classified as available-for-sale (AFS) financial assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

FRS 109 Financial Instruments (cont'd)

(a) *Classification and measurement (cont'd)*

For unquoted equity securities currently classified as AFS but which is measured at cost under FRS 39 will be measured at fair value under FRS 109 and the Group is likely to present changes in fair value of these assets in OCI. Any difference between the previous carrying amount under FRS 39 and the fair value would be recognised in the opening retained earnings when the Group applies FRS 109.

(b) *Impairment*

FRS 109 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all its trade receivables.

The Group has not undertaken a detailed assessment of the impact of the impairment provisions under FRS 109 but the Group does not expect a significant impact on the impairment loss allowance.

The Group plans to adopt the standard when it becomes effective in financial year ending 31 December 2018.

FRS 116 Leases

FRS 116 replaces the existing FRS 17: *Leases*. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their 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. The accounting for lessors will not change significantly.

The standard is effective for annual periods beginning on or after 1 January 2019. The Group will assess the potential impact of FRS 116 and plans to adopt the standard on the required effective date.

Convergence with International Financial Reporting Standards (IFRS)

The Accounting Standards Council ("ASC") announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange ("SGX") will be required to apply a new financial reporting framework identical to the International Financial Reporting Standards (full IFRS convergence) in 2018. The Group will adopt the new financial reporting framework on 1 January 2018.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. Subsidiary 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of consolidation (cont'd)

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

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is accounted for in accordance with the accounting policy for goodwill stated in note 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.

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

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

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

Changes in the Company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amount of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to owners of the Company.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of consolidation (cont'd)

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

(c) Subsidiaries

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

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

(d) Associated company

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

Investment in associated company 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 Group's share of its associated company's post-acquisition profits or losses is recognised in the profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from associated company are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

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

Where a group entity transacts with an associate of the Group, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Associated company (cont'd)

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

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

In the Company's financial statements, investment in associated company is carried at cost less accumulated impairment loss. On disposal of investment in associated company, 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.

(f) Revenue recognition

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Revenue recognition (cont'd)

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

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

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

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

Where the Group acts in three roles, Presenter, Producer and investor, or in dual roles as Presenter and investor, and which the Group is acting as a principal

The Group recognises the entire box office proceeds received from the Distributor as revenue when the films are screened in movie theatres. The Group also recognises a fixed fee as Presenter of the film upon the release of the film for screening in theatres.

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

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

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

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

Revenue from distribution of films in post-theatrical markets

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

Minimum guaranteed revenue from the licensee are recorded as deferred revenue and recognised as revenue upon the release of the films. Royalty-based revenues (revenues based upon a specified percentage of net sales of the films) are recognised as revenue in periods when the royalties accrue.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Revenue recognition (cont'd)

Participation revenue

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

The Group records its share of profits of the film as revenue based on a report from the main Presenter of the film upon the screening of the film in theatres.

Other income

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

Rental income is recognised on a straight-line basis over the lease term.

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

(g) Property, plant and equipment

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Property, plant and equipment (cont'd)

	Years
Building	40
Equipment	5
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.

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

(h) Intangible assets

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Film production inventories

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

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

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

(j) Impairment of non-financial assets excluding goodwill

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Operating leases

When the Group entity is the lessee:

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

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

When a Group entity is the lessor:

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

(l) Income taxes

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Financial assets

Classification

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

Financial assets, at fair value through profit or loss

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

Loans and receivables

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

Financial assets, available-for-sale

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

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is taken to profit or loss.

Initial measurement

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Financial assets (cont'd)

Subsequent measurement

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

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

Impairment

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

Loans and receivables

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

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

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

Financial assets, available-for-sale

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Cash and cash equivalents

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

(o) Financial liabilities

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

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

(p) Film obligations and production loans

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

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

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

(q) Provisions

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Share capital

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

(s) Borrowing costs

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

(t) Employee benefits

Defined contribution plans

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

Employee leave entitlements

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

(u) Functional and foreign currencies

Functional and presentation currency

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the 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.

(w) Segment reporting

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

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

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

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

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

(a) represents a separate major line of business or geographical area of operations; or

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resale.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(y) Critical accounting judgements and key source of estimation uncertainty

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

Accounting for share swap of the Group's 45.8% interest in its associated company, Spackman Media Group Pte. Ltd., in consideration for newly issued shares approximating 27.2% interest in Spackman Media Group Limited

As disclosed in note 17, the Group has completed the share swap of the Group's 45.8% interest in its associated company, Spackman Media Group Pte. Ltd. ("SMGPL"), in consideration for newly issued shares approximating 27.2% interest in Spackman Media Group Limited ("SMGL"). In accounting for this share swap, management has applied judgements and estimates, including but not limited to the assessment of the Group's significant influence over SMGL, the determination of the acquisition-date fair value of the consideration transferred by the Group and acquisition-date fair value of net identifiable assets of SMGL.

The acquisition-date fair value of the consideration transferred by the Group for its interest in SMGL is based on the fair value of equity interest of SMGPL given up as management has assessed that the fair value of equity interest of SMGPL is more reliably measurable than the fair value of equity interest in SMGL. As at 31 December 2016, the carrying amount of the investment in associated company, SMGL amounted to USD3,433,315 which include a goodwill on acquisition of USD630,412. The loss on disposal of associated company recorded in profit or loss for the year amounted to USD94,478.

The carrying amount of the Group's and Company's investment in associated company is disclosed in note 17.

Impairment of investment in subsidiaries and associated company

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

Management assessed for indicators of impairment for these investments at the balance sheet date and concluded that no impairment loss required. The Company has considered amongst others, the entities' historical financial performance, operational track record, future cash inflows from films that have been released and business plans. The carrying amount of the Company's investment in subsidiaries and associated company are disclosed in notes 16 and 17 respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3 REVENUE

	Group	
	2016	2015
	USD	USD
Revenue from distribution of films	**3,895,476**	16,302,437
Revenue from production of films	**10,591,330**	964,323
Others	**648,255**	501,134
	15,135,061	17,767,894

4 OTHER INCOME

	Group	
	2016	2015
	USD	USD
Interest income		
– Fixed deposits	**1,901**	4,464
– Loan to related party	**27,062**	443
– Loan to staff	**–**	29,573
– Loan to third parties	**32,216**	82,105
– Money market funds	**12,659**	8,903
	73,838	125,488
Fair value gain on investment in mutual funds	**10,908**	4,071
Fair value gain on investment in insurance products	**–**	1,571
Foreign exchange gain	**212,087**	17,784
Loss on film borne by external investors	**5,449,696**	–
Rental income		
– Related party	**131,535**	69,526
– Third parties	**592**	6,540
Government grants	**27,111**	233,693
Gain on disposal of subsidiaries (note 16c)	**2,398,118**	–
Others	**109,372**	257,151
	8,413,257	715,824

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5 FINANCE COSTS

	Group	
	2016 USD	2015 USD
Interest expenses		
– Bank loans	**77,547**	74,040
– Others	**43,759**	1,990
	121,306	76,030

6 LOSS BEFORE TAX FROM CONTINUING OPERATIONS

	Group	
	2016 USD	2015 USD
Loss before tax is arrived at after charging/(crediting):		
Allowance for doubtful receivables (note 28b)	**27,044**	11,047
Amortisation of intangible assets (note 12)	**32,426**	6,840
Audit fee paid/payable to		
– Auditor of the Company	**55,309**	56,525
– Other auditors of the Group	**122,513**	118,202
Non-audit fee paid/payable to		
– Auditor of the Company	**–**	–
– Other auditors of the Group	**66,000**	67,097
Depreciation of property, plant and equipment (note 11)	**204,447**	117,353
Fair value loss on investment in insurance products	**9,415**	–
Impairment loss on available-for-sale investments	**649,563**	17,676
Loss on disposal of property, plant and equipment	**32,844**	–
Personnel expenses (note 7)	**2,495,662**	3,191,934
Property, plant and equipment written off	**–**	14,192
Reversal of allowance of doubtful receivables (note 28b)	**(57,734)**	(44,190)
Rental expense	**886,579**	746,174
Travelling expenses	**147,572**	99,840
Other expenses		
– Impairment loss on film production inventories (note 13)	**111,275**	623,874
– Profit on film distributable to external investors	**602,858**	4,199,077
– Reversal of loss on film borne by external investors	**25,443**	–
– Loss on disposal of associated company	**94,478**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

7 PERSONNEL EXPENSES

	Group	
	2016	**2015**
	USD	**USD**
Key management personnel		
– Salaries, bonus and other benefits	**960,076**	1,471,669
– Defined contribution benefits	**75,222**	62,902
– Other short-term benefits	**34,183**	4,618
	1,069,481	1,539,189
Other personnel		
– Salaries and bonus	**1,087,318**	1,241,355
– Defined contribution benefits	**80,115**	90,176
– Other short-term benefits	**258,748**	321,214
	1,426,181	1,652,745
	2,495,662	3,191,934

8 TAX (CREDIT)/EXPENSE

	Group	
	2016	**2015**
	USD	**USD**
Tax (credit)/expense attributable to loss is made up of:		
From continuing operations		
Current income tax provision	**272,428**	91,519
Deferred tax (note 14)	**(402,042)**	299,905
	(129,614)	391,424
From discontinued operation		
Current income tax provision	**19,942**	197,596
	(109,672)	589,020

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8 TAX (CREDIT)/EXPENSE (CONT'D)

The income tax (credit)/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	
	2016	2015
	USD	USD
(Loss)/profit before tax from:		
Continuing operations	**(2,382,880)**	(1,120,366)
Discontinued operation	**(351,060)**	436,253
Loss before tax	**(2,733,940)**	(684,113)
Tax at domestic rates applicable to profit/loss in countries where the Group operate	**(657,941)**	(305,143)
Expenses not deductible for tax purposes	**375,303**	405,861
Income not subject to tax	**(395,689)**	(25,351)
Deferred tax assets not recognised for the year	**543,646**	563,080
Others	**25,009**	(49,427)
	(109,672)	589,020

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% (2015: 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% (2015: 22%).

9 DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 30 December 2015, a wholly-owned subsidiary of the Company, Spackman Entertainment Group (HK) Limited entered into a sale and purchase agreement to dispose of the Group's 51.49% equity interest in a subsidiary, UAA Korea Co., Ltd ("UAA") at a consideration of USD2,112,000. As UAA represents an operating segment of the Group (i.e. talent management segment), the Group has classified the post-tax results of UAA under discontinued operation in the consolidated profit or loss and other comprehensive income and assets and liabilities of UAA as disposal group classified as held for sale and liabilities directly associated with disposal group classified as held for sale in the consolidated balance sheet as at 31 December 2015. This sale and purchase agreement was terminated on 19 April 2016.

On 8 July 2016, the Group entered into a sale and purchase agreement to dispose of the Group's investment in two subsidiaries, UAA and Opus Pictures Limited Liability Company ("Opus") (note 16c).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

	Group	
	2016	**2015**
	USD	**USD**
Revenue	**2,584,742**	11,388,100
Cost of sales	**(2,793,668)**	(9,858,517)
Other income	**133,278**	58,407
Expenses	**(275,412)**	(1,151,737)
(Loss)/profit before tax from discontinued operation (i)	**(351,060)**	436,253
Tax expense	**(19,942)**	(197,596)
(Loss)/profit after tax from discontinued operation	**(371,002)**	238,657

(i) *(Loss)/profit before tax from discontinued operation*

	2016	**2015**
	USD	**USD**
(Loss)/profit before tax is arrived at after charging/(crediting):		
Allowance for doubtful receivables	**–**	317,328
Depreciation of property, plant and equipment	**5,012**	20,386
Loss on disposal of property, plant and equipment	**1,029**	20,622
Personnel expenses	**142,719**	381,917
Reversal of allowance for doubtful debts	**(126,027)**	–
Rental expense	**581**	40,972
Travelling expenses	**12,796**	5,254

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

	Group	
	2016	**2015**
	USD	**USD**
Operating cash flows	**(2,129,163)**	(174,977)
Investing cash flows	**340,415**	402,855
Total cash flows	**(1,788,748)**	227,878

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

	2015 USD
Details of disposal group classified as held for sale are as follows:	
Property, plant and equipment	62,247
Intangible assets	2,290,635
Goodwill	862,160
Investments	85,324
Trade and other receivables	3,682,538
Deposits	130,214
Cash and cash equivalents	1,834,695
	8,947,813
Liabilities directly associated with disposal group classified as held for sale:	
Trade and other payables	5,247,887
Tax payables	173,208
	5,421,095
Reserve:	
Currency translation reserve	(207,144)

10 LOSS PER SHARE

From continuing and discontinued operations

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:

	2016 USD	2015 USD
Net loss for the year attributable to equity holders of the Company	**(2,424,734)**	(1,114,077)
Weighted average number of ordinary shares for basic earnings per share	**398,770,209**	398,694,369

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10 LOSS PER SHARE (CONT'D)

From continuing operations

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

Loss figures are calculated as follows:

	2016 USD	2015 USD
Loss for the year attributable to equity holders of the Company	**(2,424,734)**	(1,114,077)
Less: (Loss)/profit for the year from discontinued operation	**256,178**	(122,884)
Loss for the purposes of basic loss per share from continuing operations	**(2,168,556)**	(1,236,961)

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

From discontinued operation

Basic and diluted loss per share for the discontinued operation is based on the loss for the year from the discontinued operation of USD256,178 (2015: Profit of USD122,884) and the denominators detailed above for both basic and diluted loss per share.

The Company did not hold any dilutive potential ordinary shares during the financial year (2015: Nil).

11 PROPERTY, PLANT AND EQUIPMENT

	Land USD	Building USD	Equipment USD	Motor vehicles USD	Leasehold improvements USD	Total USD
Group						
2016						
Cost						
At 1.1.2016	378,644	2,653,046	236,252	65,551	344,402	3,677,895
Additions	–	–	12,819	64,848	40,853	118,520
Transfer from disposal group classified as held for sale	–	–	64,061	–	–	64,061
Reclassifications	–	–	(142,380)	–	142,380	–
Disposal	–	–	–	(64,848)	–	(64,848)
Disposal of subsidiaries	–	–	(85,619)	(66,310)	–	(151,929)
Currency translation differences	(11,436)	(80,130)	(5,419)	759	(11,443)	(107,669)
At 31.12.2016	**367,208**	**2,572,916**	**79,714**	**–**	**516,192**	**3,536,030**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Land USD	Building USD	Equipment USD	Motor vehicles USD	Leasehold improvements USD	Total USD
Group						
2016						
Accumulated depreciation						
At 1.1.2016	–	5,497	83,686	18,566	232,377	340,126
Depreciation charge	–	66,983	38,057	20,232	79,175	204,447
Reclassifications	–	–	(76,044)	–	76,044	–
Disposal	–	–	–	(11,705)	–	(11,705)
Disposal of subsidiaries	–	–	(34,671)	(27,684)	–	(62,355)
Currency translation differences	–	(2,827)	(3,876)	591	(8,578)	(14,690)
At 31.12.2016	–	69,653	7,152	–	379,018	455,823
Net carrying value						
At 31.12.2016	**367,208**	**2,503,263**	**72,562**	**–**	**137,174**	**3,080,207**

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Equipment USD	Leasehold improvements USD	Total USD
Company			
2016			
Cost			
At 1.1.2016	12,131	4,090	16,221
Additions	2,102	–	2,102
At 31.12.2016	**14,233**	**4,090**	**18,323**
Accumulated depreciation			
At 1.1.2016	1,713	796	2,509
Depreciation charge	2,739	1,356	4,095
At 31.12.2016	**4,452**	**2,152**	**6,604**
Net carrying value			
At 31.12.2016	**9,781**	**1,938**	**11,719**
2015			
Cost			
At 1.1.2015	620	–	620
Additions	11,511	4,090	15,601
At 31.12.2015	12,131	4,090	16,221
Accumulated depreciation			
At 1.1.2015	21	–	21
Depreciation charge	1,692	796	2,488
At 31.12.2015	1,713	796	2,509
Net carrying value			
At 31.12.2015	10,418	3,294	13,712

Bank borrowings are secured on the land and building of the Group with a net carrying value of USD2,870,471 (2015: USD3,026,193) (note 23).

Capitalisation of borrowing costs

In financial year ended 31 December 2015, borrowing costs capitalised as cost of property, plant and equipment amounted USD10,434. The borrowing costs capitalised is the actual borrowing costs incurred on funds borrowed specifically for the construction of the building.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

12 INTANGIBLE ASSETS

	Acquired libraries USD	Software USD	Goodwill USD	Content development USD	Brand name USD	Others USD	Total USD
Group							
2016							
Cost							
At 1.1.2016	23,929	4,370	800,133	–	–	32,164	860,596
Additions	4,748	2,868	–	215,424	–	–	223,040
Disposal of subsidiaries	–	(859)	–	–	–	(32,366)	(33,225)
Currency translation differences	(911)	(457)	(72,830)	(8,557)	–	202	(82,553)
At 31.12.2016	**27,766**	**5,922**	**727,303**	**206,867**	**–**	**–**	**967,858**
Accumulated amortisation							
At 1.1.2016	–	3,698	–	–	–	16,312	20,010
Amortisation charge	28,915	322	–	–	–	3,189	32,426
Disposal of subsidiaries	–	(272)	–	–	–	(19,276)	(19,548)
Currency translation differences	(1,149)	(368)	–	–	–	(225)	(1,742)
At 31.12.2016	**27,766**	**3,380**	**–**	**–**	**–**	**–**	**31,146**
Net carrying value							
At 31.12.2016	**–**	**2,542**	**727,303**	**206,867**	**–**	**–**	**936,712**
2015							
Cost							
At 1.1.2015	19,122	5,216	916,882	–	2,442,345	34,295	3,417,860
Acquisition of a subsidiary	–	–	800,133	–	–	–	800,133
Additions	6,210	–	–	–	–	–	6,210
Reclassified as held for sale	–	–	(862,160)	–	(2,290,635)	–	(3,152,795)
Currency translation differences	(1,403)	(846)	(54,722)	–	(151,710)	(2,131)	(210,812)
At 31.12.2015	23,929	4,370	800,133	–	–	32,164	860,596
Accumulated amortisation							
At 1.1.2015	–	4,317	–	–	–	10,588	14,905
Amortisation charge	–	177	–	–	–	6,663	6,840
Currency translation differences	–	(796)	–	–	–	(939)	(1,735)
At 31.12.2015	–	3,698	–	–	–	16,312	20,010
Net carrying value							
At 31.12.2015	23,929	672	800,133	–	–	15,852	840,586

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

12 INTANGIBLE ASSETS (CONT'D)

	Software USD
Company	
2016	
Cost	
Additions and at 31.12.2016	277
Accumulated amortisation	
Amortisation charge and at 31.12.2016	–
Net carrying value	
At 31.12.2016	277

Impairment test for goodwill

Goodwill acquired in a business combination is allocated to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated to Novus Mediacorp.

Key assumptions used in value-in-use calculation

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

	2016 %	2015 %
Gross margin[1]	**11**	11
Growth rate[2]	**0**	0
Discount rate[3]	**19**	21

(1) Budgeted gross margin.

(2) Growth rate used to extrapolate cash flows beyond the budgeted period.

(3) Pre-tax discount rate applied to cash flow projections.

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

Sensitivity to changes in assumptions

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13 FILM PRODUCTION INVENTORIES

	Group	
	2016	2015
	USD	USD
Cost		
Balance at beginning of the financial year	**10,988,385**	5,134,385
Acquisition of a subsidiary	**–**	510,025
Additions	**17,388,800**	14,415,911
Charged to cost of sales	**(18,308,939)**	(8,701,384)
Disposal	**(3,089,071)**	–
Disposal of a subsidiary	**(6,088,495)**	–
Currency translation differences	**21,038**	(370,552)
Balance at end of the financial year	**911,718**	10,988,385
Accumulated impairment losses		
Balance at beginning of the financial year	**2,554,306**	2,023,691
Impairment loss	**111,275**	623,874
Disposal of a subsidiary	**(2,168,823)**	–
Currency translation differences	**(9,332)**	(93,259)
Balance at end of the financial year	**487,426**	2,554,306
Net carrying value		
Balance at end of the financial year	**424,292**	8,434,079
Representing:		
Current	**69,475**	6,671,824
Non-current	**354,817**	1,762,255
	424,292	8,434,079

14 DEFERRED TAX ASSETS/(LIABILITIES)

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

	Group	
	2016	2015
	USD	USD
Balance at beginning of the financial year	**(307,432)**	220,087
Acquisition of a subsidiary	**–**	(235,774)
Tax credited/(charged) to statement of profit or loss and other comprehensive income	**402,042**	(299,905)
Currency translation difference	**(6,684)**	8,160
Balance at end of the financial year	**87,926**	(307,432)
Representing:		
Deferred tax assets	**122,460**	–
Deferred tax liabilities	**(34,534)**	(307,432)
	87,926	(307,432)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14 DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

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

	Group	
	2016	**2015**
	USD	**USD**
Tax losses	**50,596**	411,047
Other deductible/(taxable) temporary differences	**37,336**	(718,479)
	87,932	(307,432)

At the balance sheet date, the Group has unutilised tax losses of USD2,878,000 (2015: USD12,920,000) 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 USD230,000 (2015: USD1,870,000) of such losses. No deferred tax assets has been recognised in respect of the remaining USD2,650,000 (2015: USD11,050,000) losses as it is not probable that future taxable profits will be sufficient to allow the related tax benefits to be realised. Unutilised tax losses are available for carry forward up to 10 years from the year of loss to offset against future taxable income of the subsidiaries.

15 LOAN TO SUBSIDIARIES

The amounts due from subsidiaries are non-trade in nature, bears interest at 1.20% – 3.00% (2015: 1.20%) per annum, unsecured and repayable on demand.

16 INVESTMENT IN SUBSIDIARIES

	Company	
	2016	**2015**
	USD	**USD**
Unquoted equity shares, at cost		
Balance at beginning of financial year	**16,245,427**	14,635,097
Acquisition during financial year	**–**	1,610,330
Balance at end of financial year	**16,245,427**	16,245,427

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16 INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Details of subsidiaries are as follows:

Name of subsidiary	Place of incorporation	Principal business	Proportion of ownership interest 2016 %	2015 %
Held by the Company				
Spackman Entertainment Group (HK) Limited ("SEG HK")#	Hong Kong	Investment holding company.	**100.00**	100.00
Noon Pictures Co., Ltd ("Noon")##	Korea	Professional photography services.	**60.24**	60.24
Novus Mediacorp Co., Ltd ("Novus Mediacorp")##	Korea	Development, production, importation and exportation, investment, distribution and promotion of motion pictures	**51.00**	51.00
Held by SEG HK				
Spackman Equities Limited ("SEL")#	Hong Kong	Investment holding company.	**100.00**	100.00
Opus Pictures Limited Liability Company ("Opus")#*	Korea	Production, importation and exportation, investment, distribution and promotion of films. Purchase, sale and lease of real property.	**–**	100.00
Zip Cinema Co., Ltd ("Zip")#	Korea	Planning, production and distribution of films, television ("TV") dramas and performances. Business of advertisement and advertising agent. Management and promotional activities for local and overseas entertainers, athletes, artists, etc. Development, production and distribution of games and animations. Production and sale of goods related to entertainment. Development of mobile content and online services. Agency of promotion and advertising, event and human resource services for films, TV dramas, music videos and commercials. Sales and lease of real property.	**100.00**	100.00

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16 INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Name of subsidiary	Place of incorporation	Principal business	Proportion of ownership interest 2016 %	2015 %
Held by SEG HK (cont'd)				
Spackman Entertainment Korea Inc. ("SEKI")#	Korea	Production, finance, and distribution of films. Production and sale of music albums and recording tapes. Consulting and services related to the above-mentioned business activities.	**100.00**	100.00
UAA Korea Co., Ltd ("UAA")##*	Korea	Talent management agency, development, importation and exportation, investment, distribution and promotion of motion pictures.	**–**	51.49
Held by SEKI				
Upper West Inc. ("Upper West")#	Korea	Restaurant business, franchise and service business, processing and sale of food.	**83.15**	83.15
Held by Opus				
Film Auteur Co., Ltd ("Film Auteur")#*	Korea	Distribution, importation, investment, and production of images, films, and dramas. Sales, promotion and importation of advertisement, products regarding images, films and dramas. Production of broadcasting programmes. Broadcasting. Publication. Information services via the Internet and mobile. Lease of real property.	**–**	51.23
OPUS INT Co. Ltd#*	Korea	Film marketing	**–**	100.00

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

Audited by Nexia Samduk, Korea

* Opus and UAA were disposed of during the financial year (Note 16c).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16 INVESTMENT IN SUBSIDIARIES (CONT'D)

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

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

Name of subsidiary	Principal place of business/ Country of incorporation	Ownership interests held by NCI 2016 %	2015 %
Novus Mediacorp	Korea	**49.00**	49.00
Film Auteur	Korea	**–**	48.77

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

	Novus Mediacorp 2016 USD	2015 USD
Summarised Balance Sheets		
Non-current assets	**2,396**	3,584
Current assets	**5,471,671**	9,018,775
Non-current liabilities	**(87,562)**	(114,236)
Current liabilities	**(3,960,630)**	(7,407,382)
Net assets	**1,425,875**	1,500,741
Net assets attributable to NCI	**698,679**	735,363
Summarised Income Statements		
Revenue	**1,356,785**	1,419,564
Profit/(loss) before tax	**5,331**	(43,775)
Income tax (expense)/credit	**(36,090)**	55,942
(Loss)/profit after tax	**(30,759)**	12,167
Other comprehensive loss	**(44,107)**	(100,047)
Total comprehensive loss	**(74,866)**	(87,880)
(Loss)/profit allocated to NCI	**(15,072)**	5,962
Summarised Cash Flows		
Operating cash flows	**100,792**	(300,277)
Investing cash flows	**1,559,031**	(1,687,313)
Financing cash flows	**(1,165,263)**	1,682,355
Net increase/(decrease) in cash and cash equivalents	**494,560**	(305,235)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16 INVESTMENT IN SUBSIDIARIES (CONT'D)

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

	Film Auteur 2015 USD
Summarised Balance Sheets	
Non-current assets	28,807
Current assets	48,710
Non-current liabilities	(14,055)
Current liabilities	(606,387)
Net liabilities	(545,925)
Net liabilities attributable to NCI	(266,248)
Summarised Income Statements	
Revenue	1,168,237
Loss before tax	(467,384)
Income tax expense	–
Loss after tax	(467,384)
Other comprehensive income	22,424
Total comprehensive loss	(444,960)
Loss allocated to NCI	(227,943)
Summarised Cash Flows	
Operating cash flows	529,233
Investing cash flows	(84,260)
Financing cash flows	27,293
Net increase in cash and cash equivalents	472,266

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16 INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) Disposal of subsidiaries

On 8 July 2016, the Group entered into a sale and purchase agreement to dispose of the Group's investment in Opus Pictures Limited Liability Company and its subsidiaries ("Opus Group") and UAA. The disposal was completed on 12 August 2016.

The value of assets and liabilities of Opus Group and UAA at disposal date, and the effects of the disposal were:

	Opus Group USD	UAA USD	Total USD
Non-current assets			
Property, plant and equipment	89,574	–	89,574
Intangible assets	13,677	2,306,390	2,320,067
Film production inventories	1,158,608	–	1,158,608
Long-term prepaid expense	688,589	–	688,589
Total non-current assets	1,950,448	2,306,390	4,256,838
Current assets			
Cash and cash equivalents	46,092	30,555	76,647
Investments	1,385,612	–	1,385,612
Film production inventories	2,761,064	–	2,761,064
Trade and other receivables	1,241,620	782,470	2,024,090
Total current assets	5,434,388	813,025	6,247,413
Non-current liabilities	(10,476)	–	(10,476)
Current liabilities			
Trade and other payables	(4,802,065)	(935,373)	(5,737,438)
Deferred revenue	(1,130,561)	–	(1,130,561)
Film obligations and production loans	(3,425,582)	–	(3,425,582)
Borrowings	(1,901,352)	–	(1,901,352)
Total current liabilities	(11,259,560)	(935,373)	(12,194,933)
Attributable goodwill	–	862,160	862,160
Net (liabilities)/assets derecognised	(3,885,200)	3,046,202	(838,998)

	2016 USD
Gain on disposal	
Cash consideration received	**995,652**
Net liabilities derecognised	**838,998**
Non-controlling interests derecognised	**763,218**
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity on disposal of subsidiaries	**(123,292)**
Write-off of amount due from UAA	**(76,458)**
Gain on disposal	**2,398,118**

The gain on disposal of subsidiaries is included in "other income" in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16 INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) Disposal of subsidiaries (cont'd)

	2016 USD
Net cash inflow arising on disposal	
Cash consideration received	**995,652**
Cash and cash equivalents disposed of	**(76,647)**
Net cash inflow arising on disposal	**919,005**

17 INVESTMENT IN ASSOCIATED COMPANY

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

	Group	
	2016 USD	2015 USD
Carrying amount:		
Spackman Media Group Limited ("SMGL")*	**3,433,315**	–
Spackman Media Group Pte Ltd ("SMGPL")**	**–**	3,577,373

* Audited by Nexia Hong Kong

** Audited by KPMG LLP

On 13 May 2016, the Company has completed the share swap of the Company's 45.8% interest in its associated company, Spackman Media Group Pte. Ltd. ("SMGPL"), in consideration for newly issued shares approximating 27.2% interest in Spackman Media Group Limited ("SMGL"). Following the completion of the share swap, the Company owns an approximately 27.2% equity interest in SMGL and SMGPL ceased to be an associated company of the Company. As at balance sheet date, the Company's equity interest in SMGL was reduced to 24.5% following the issuance of new shares by SMGL to third parties.

The acquisition-date fair value of the consideration transferred by the Company for its interest in SMGL is based on the fair value of equity interest of SMGPL given up as management has assessed that the fair value of equity interest of SMGPL is more reliably measurable than the fair value of equity interest in SMGL.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

17 INVESTMENT IN ASSOCIATED COMPANY (CONT'D)

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

	2016 USD
Revenue	20,585,013
Profit after tax	136,640
Other comprehensive loss	(361,485)
Total comprehensive loss	(224,845)
Non-current assets	7,582,709
Current assets	17,011,969
Non-current liabilities	(94,736)
Current liabilities	(12,886,582)
Net assets	11,613,360
Non-controlling interest	(186,933)
Net assets attributable to equity holders	11,426,427
Group's share of net assets attributable to equity holders based on proportion of ownership interest	2,802,903
Goodwill on acquisition	630,412
	3,433,315

The Group's share of the associated companies' results of USD71,282 comprise current year share of losses incurred from SMGPL of USD331,853 and was partially offset by current year share of profits from SMGL of USD260,571.

18 INVESTMENTS

	Group		Company	
	2016 USD	2015 USD	2016 USD	2015 USD
Non-current				
Investment in insurance products, at fair value	–	59,727	–	–
Current				
Investment in insurance products, at fair value	**246,542**	251,075	–	–
Investment in mutual funds, at fair value	**826,419**	–	–	–
Investment in theatrical projects, at fair value	**1,041,695**	757,532	–	–
Short-term investments, at cost	**2,341,854**	5,878,840	–	–
	4,456,510	6,887,447	–	–

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18 INVESTMENTS (CONT'D)

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

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

- Impairment loss of USD180,844 (2015: USD17,676) for investment in film investment funds to bring the carrying amount to the estimated recoverable amount from the investment.

- Full impairment amounting to USD468,719 (2015: Nil) were made for three theatrical projects as the amounts invested in these projects are not expected to be recoverable.

19 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 USD	**2015 USD**	**2016 USD**	**2015 USD**
Trade receivables				
– Third parties	**755,446**	17,830,566	**15,330**	6,723
Less: Allowance for doubtful receivables	**(887)**	(51,999)	**–**	–
	754,559	17,778,567	**15,330**	6,723
Short-term loans				
– Staff	**169,632**	216,162	**–**	–
– Third parties	**230,451**	734,642	**–**	–
	400,083	950,804	**–**	–
Less: Allowance for doubtful receivables	**(132,396)**	(272,611)	**–**	–
	267,687	678,193	**–**	–
Other receivables				
– Subsidiary	**–**	–	**136,831**	21,353
– Associate	**189,822**	–	**189,822**	74,393
– Third parties	**511,167**	817,902	**–**	–
	700,989	817,902	**326,653**	95,746
Less: Allowance for doubtful receivables	**–**	(18,259)	**–**	–
	700,989	799,643	**326,653**	95,746
Advance payments	**204,144**	207,560	**–**	–
Less: Allowance for doubtful receivables	**–**	(10,666)	**–**	–
	204,144	196,894	**–**	–
Accrued income	**123,101**	172,864	**–**	–
Less: Allowance for doubtful receivables	**(10,659)**	–	**–**	–
	112,442	172,864	**–**	–
Prepayments	**966,377**	736,383	**–**	–
Deposits	**608,832**	746,233	**56,755**	56,754
	1,575,209	1,482,616	**56,755**	56,754
	3,615,030	21,108,777	**398,738**	159,223

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

19 TRADE AND OTHER RECEIVABLES (CONT'D)

The short-term loans to staff and third parties are unsecured, repayable on demand and interests are payable at 6.90% (2015: 6.90%) and between Nil to 6.50% (2015: Nil to 6.50%) per annum respectively.

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

Included in deposits was an amount of USD16,549 and USD Nil which had been pledged to banks as collateral for corporate credit cards for the years ended 31 December 2016 and 2015 respectively.

20 CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 USD	2015 USD	2016 USD	2015 USD
Bank and cash balances	**5,465,280**	3,041,863	**470,222**	823,614
Money market funds	**471,108**	1,072,372	**–**	–
	5,936,388	4,114,235	**470,222**	823,614

21 TRADE AND OTHER PAYABLES

	Group		Company	
	2016 USD	2015 USD	2016 USD	2015 USD
Trade payables				
– Staff	**7,395**	10,655	**–**	–
– Third parties	**105,033**	4,903,447	**–**	–
Share of box office proceeds payable to investors	**–**	9,258,715	**–**	–
Accrued operating expenses	**236,541**	439,509	**181,399**	158,448
Allowance for unutilised leave	**33,226**	68,442	**–**	–
Other payables				
– Third parties	**1,775,647**	460,189	**–**	4,867
– Related parties	**–**	430,000	**–**	–
Advances received from				
– Third parties	**516,984**	133,751	**–**	–
Gross amount due to customer for contract in progress (i)	**338,553**	–	**–**	–
	3,013,379	15,704,708	**181,399**	163,315

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

21 TRADE AND OTHER PAYABLES (CONT'D)

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

	Group		Company	
	2016 USD	**2015 USD**	**2016 USD**	**2015 USD**
Progress billings and advances	**1,598,055**	–	**–**	–
Less: Aggregate amount of cost incurred and recognised profits to date	**(1,259,502)**	–	**–**	–
Gross amount due to customer for contract in progress	**338,553**	–	**–**	–

22 DEFERRED REVENUE

	Group	
	2016 USD	**2015 USD**
Minimum guarantee received for selling distribution rights of movie under production	**2,649,197**	3,832,763

23 BORROWINGS

		Group	
	Repayment period	**2016 USD**	**2015 USD**
Non-current			
Term loan IX – average 6-month interest rate of bond insurance by banks in Korea	2018 – 2023	**1,903,186**	1,962,457
Current			
Term loan I – 9.01%	6 November 2016	**–**	25,597
Term loan II – 4.05%	21 October 2016	**–**	170,648
Term loan III – 4.34%	20 April 2016	**–**	255,973
Term loan IV – 4.02%	1 June 2016	**–**	426,621
Term loan V – 9.45%	8 April 2016	**–**	255,973
Term loan VI – 4.18%	18 March 2016	**–**	25,598
Term loan VII – 3.23%	30 June 2016	**–**	255,973
Term loan VIII – 4.00%	24 December 2016	**–**	1,706,485
		–	3,122,868
		1,903,186	5,085,325

The loans are secured by guarantees from Korea Credit Guarantee Fund and Korea Technology Finance Corporation and a mortgage of the land and building of the Group (note 11).

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

24 FILM OBLIGATIONS AND PRODUCTION LOANS

	Group	
	2016	2015
	USD	USD
Third parties	**911,568**	10,226,109

25 SHARE CAPITAL

	Group and Company			
	2016		2015	
	Number of issued shares	Issued share capital USD	Number of issued shares	Issues share capital USD
Issued and paid up capital				
At beginning of the financial year	**398,770,209**	**25,019,233**	395,310,000	24,427,906
Issuance of ordinary shares	**–**	**–**	3,460,209	591,327
At end of the financial year	**398,770,209**	**25,019,233**	398,770,209	25,019,233

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

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

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

26 OTHER RESERVES

	Group	
	2016	2015
	USD	USD
Merger reserve	**(2,724,167)**	(2,724,167)
Currency translation reserve	**(662,231)**	(375,431)
	(3,386,398)	(3,099,598)

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

27 LEASE COMMITMENTS

Where the Group is a lessee

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27 LEASE COMMITMENTS (CONT'D)

Where the Group is a lessee (cont'd)

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

	Group	
	2016 USD	2015 USD
Not later than one financial year	**771,684**	742,683
Between two and five years	**299,729**	651,912
	1,071,413	1,394,595

Where the Group is a lessor

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

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

	Group	
	2016 USD	2015 USD
Not later than one financial year	**181,382**	245,842
Between two and five years	**58,806**	302,704
	240,188	548,546

28 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

	Group		Company	
	2016 USD	2015 USD	2016 USD	2015 USD
Financial assets				
Trade and other receivables	**2,444,509**	20,175,500	**398,738**	159,223
Loan to subsidiaries	**–**	–	**429,050**	1,733,163
Cash and cash equivalents	**5,936,388**	4,114,235	**470,222**	823,614
Loans and receivables	**8,380,897**	24,289,735	**1,298,010**	2,716,000
Investments, at fair value through profit or loss	**1,072,961**	310,802	**–**	–
Available-for-sale financial assets	**3,383,549**	6,636,372	**–**	–
Financial liabilities				
Trade and other payables	**1,978,201**	15,452,129	**181,399**	163,315
Film obligation and production loans	**911,568**	10,226,109	**–**	–
Borrowings	**1,903,186**	5,085,325	**–**	–
At amortised cost	**4,792,955**	30,763,563	**181,399**	163,315

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies

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

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

Foreign currency risk

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

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

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:

	2016		2015	
	SGD USD	**HKD USD**	**SGD USD**	**HKD USD**
Group				
Cash and cash equivalents	**163,277**	**2,649**	773,771	106,396
Company				
Cash and cash equivalents	**161,980**	**–**	773,771	–

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

Interest rate risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28 FINANCIAL INSTRUMENTS (CONT'D)

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

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has credit policies in place and the exposure to credit risk is monitored on an ongoing basis by the management.

The Group's trade receivables comprise 3 major debtors (2015: 3 major debtors) that individually represented 12 – 32% (2015: 10 – 20%) of the trade receivables.

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

Financial assets that are neither past due nor impaired

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

Financial assets that are past due and/or impaired

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

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

	Group	
	2016	**2015**
	USD	**USD**
Gross amount (i)	**143,942**	353,535
Less: Allowance for impairment	**(143,942)**	(353,535)
	–	–
Movements in allowance for doubtful receivables:		
At beginning of the financial year	**353,535**	758,526
Acquisition of a subsidiary	**–**	245,758
Allowance made (note 6)	**27,044**	11,047
Allowance written off	**–**	(583,302)
Reversal of allowance made (note 6)	**(57,734)**	(44,190)
Currency translation differences	**(32,779)**	(34,304)
Disposal of subsidiaries	**(146,124)**	–
At end of the financial year	**(143,942)**	353,535

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28 FINANCIAL INSTRUMENTS (CONT'D)

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

Liquidity risk

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

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

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

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

	Within 1 year USD	2 to 5 years USD	More than 5 years USD	Total USD
Group				
2016				
Trade and other payables	**1,978,201**	**–**	**–**	**1,978,201**
Film obligations and production loans	**911,568**	**–**	**–**	**911,568**
Borrowings	**–**	**1,946,403**	**95,763**	**2,042,166**
2015				
Trade and other payables	15,452,129	–	–	15,452,129
Film obligations and production loans	10,226,109	–	–	10,226,109
Borrowings	3,262,130	1,106,766	905,537	5,274,433
Company				
2016				
Trade and other payables	**181,399**	**–**	**–**	**181,399**
2015				
Trade and other payables	158,448	–	–	158,448

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29 FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

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

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

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

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

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

The level of fair value hierarchy for financial assets and financial liabilities measured at fair value on the balance sheet at 31 December 2016 are disclosed in note 18.

(c) Determination of fair values

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

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

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

	Investment in theatrical project	
	2016	**2015**
	USD	**USD**
Group		
Balance at beginning of financial year	**757,532**	550,109
Acquisition of subsidiary	**–**	211,128
Disposal of subsidiaries	**(81,407)**	–
Additions	**965,101**	83,797
Disposals	**(86,170)**	(44,681)
Impairment loss recognised in profit or loss	**(468,719)**	–
Currency translation differences	**(44,642)**	(42,821)
Balance at end of financial year	**1,041,695**	757,532
Total losses for the year included in:		
Profit or loss		
Cost of sales		
– Impairment loss of investment in theatrical project	**(468,719)**	–
Other comprehensive loss		
Currency translation differences arising from consolidation	**(44,642)**	(42,821)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

30 RELATED PARTY TRANSACTIONS

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

	Group	
	2016	**2015**
	USD	**USD**
Related parties		
Income		
Rental income	**131,535**	69,526
Interest income	**27,062**	443
Expense		
Interest expenses	**7,174**	1,343
Publication expense	**–**	17,676
Others		
Loans from	**–**	430,000
Loan to	**–**	88,379
Shareholder		
Rental expenses	**105,859**	94,508

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

31 CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

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

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

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

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

The capital of the Group mainly consists of equity attributable to equity holders of the Company comprising share capital, accumulated losses and merger reserve. The Group's overall strategy remains unchanged from 2015.

The Group is in compliance with all externally imposed capital requirements for financial years ended 31 December 2016 and 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32 SEGMENT INFORMATION

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

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

	Distribution of films		Production of films		Others		Total	
	2016 USD	2015 USD	2016 USD	2015 USD	2016 USD	2015 USD	2016 USD	2015 USD
Revenue	**3,895,476**	16,302,437	**10,591,330**	964,323	**648,255**	501,134	**15,135,061**	17,767,894
Cost of sales	**(8,539,423)**	(8,742,790)	**(10,457,734)**	(1,062,527)	**(140,057)**	(120,755)	**(19,137,214)**	(9,926,072)
Loss on film borne by external investors	**5,449,696**	–	**–**	–	**–**	–	**5,449,696**	–
Profit on film distribution to investors	**(602,858)**	(4,199,077)	**–**	–	**–**	–	**(602,858)**	(4,199,077)
Reversal of loss on film borne by external investors	**(25,443)**	–	**–**	–	**–**	–	**(25,443)**	–
Impairment loss on film production inventories	**(111,275)**	(623,874)	**–**	–	**–**	–	**(111,275)**	(623,874)
Segment gross results	**66,173**	2,736,696	**133,596**	(98,204)	**508,198**	380,379	**707,967**	3,018,871
Selling expenses and general and administrative expenses (exclude depreciation and amortisation)	**(1,473,096)**	(5,419,545)	**(4,005,170)**	(320,577)	**(245,139)**	(166,597)	**(5,723,405)**	(5,906,719)
Segment net results	**(1,406,923)**	(2,682,849)	**(3,871,574)**	(418,781)	**263,059**	213,782	**(5,015,438)**	(2,887,848)
Unallocated other income:								
Other income							**2,963,561**	715,824
Unallocated expenses:								
Share of results of associated companies							**(71,282)**	1,246,618
Depreciation and amortisation							**(138,415)**	(118,930)
Finance costs							**(121,306)**	(76,030)
Loss before tax							**(2,382,880)**	(1,120,366)
Tax credit/(expense)							**129,614**	(391,424)
Loss for the year							**(2,253,266)**	(1,511,790)
Segment assets	**1,188,798**	27,256,169	**3,232,199**	1,612,259	**197,829**	837,850	**4,618,826**	29,706,278
Unallocated assets							**17,390,663**	27,605,026
Total assets							**22,009,489**	57,311,304
Segment liabilities	**945,410**	26,262,028	**2,570,455**	1,553,454	**157,328**	416,207	**3,673,193**	28,231,689
Unallocated liabilities							**5,127,674**	12,384,627
Total liabilities							**8,800,867**	40,616,316

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32 SEGMENT INFORMATION (CONT'D)

Segment assets

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

Segment liabilities

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

Geographical information

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

Information about major customers

Revenue from one (2015: one) customer who individually contributed 10% or more of the Group's revenue amounted to USD10,591,330 (2015: USD16,604,000) and are attributable to the Production of film segment (2015: Distribution of film segment).

33 EVENTS AFTER BALANCE SHEET DATE

On 1 March 2017, the Company entered into a placement agreement with UOB Kay Hian Private Limited as the placement agent to place out up to 38,100,000 new ordinary shares ("Placement Shares") in the capital of the Company at placement price of SGD0.161 for each share ("Proposed Placement"). The Proposed Placement was completed and the Placement Shares were allotted and issued on 20 March 2017, and the Company received SGD5,937,195 as net proceeds. Following the completion of the Proposed Placement, 38,100,000 new ordinary shares of the Company had been issued and allotted.

On 1 March 2017, the Company entered into a share sale and purchase agreement ("SPA") with certain existing shareholders of the Company's 24.5% owned associated company, SMGL. Under the SPA, the Company shall purchase an aggregate of 1,000,000 common voting shares of SMGL at USD3 per share for a purchase consideration comprising newly issued ordinary shares of the Company with total value of USD3,000,000. Based on the issue price of SGD0.161, the aggregate number of new ordinary shares of Spackman Entertainment Group Limited ("SEGL Shares") to be issued and allotted is 26,161,491. The SPA was completed in accordance with the terms and conditions of the SPA and the new SEGL Shares were allotted and issued on 20 March 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

33 EVENTS AFTER BALANCE SHEET DATE (CONT'D)

On 14 March 2017, the Company entered into a sale and purchase agreement with the owner of Frame Pictures Co., Ltd (the "Target Company") to acquire the entire issued and paid-up share capital (KRW50,000,000 comprising of 10,000 ordinary shares) of the Target Company ("Proposed Acquisition"). The Target Company is an independent third party. The total purchase consideration to acquire the Target Company comprises KRW900,000,000 in cash and 497,250 issued and paid-up ordinary shares of the Company's associated company, SMGL. The Proposed Acquisition was completed in accordance with the terms and conditions of the sale and purchase agreement on 31 March 2017 and the Company's subsequent shareholding interest in SMGL became 26.17%.

34 AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of the Group for the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors dated 3 April 2017.

STATISTICS OF SHAREHOLDINGS

AS AT 22 MARCH 2017

Issued and paid-up capital	:	S$42,888,029.71
Number of issued shares	:	463,031,700
Class of shares	:	Ordinary
Number of treasury shares	:	Nil
Number of subsidiary holdings	:	Nil
Voting rights	:	On a poll – 1 vote for each ordinary share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDING	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	1	0.07	34	0.00
100 – 1,000	29	1.99	18,134	0.00
1,001 – 10,000	179	12.32	1,375,900	0.30
10,001 – 1,000,000	1,210	83.28	132,321,101	28.58
1,000,001 and above	34	2.34	329,316,531	71.12
TOTAL	**1,453**	**100.00**	**463,031,700**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	RAFFLES NOMINEES (PTE) LTD	169,088,900	36.52
2	DBS NOMINEES PTE LTD	35,826,500	7.74
3	OCBC SECURITIES PRIVATE LTD	14,272,900	3.08
4	DVG LIMITED	13,080,745	2.83
5	MAYBANK KIM ENG SECURITIES PTE LTD	9,405,100	2.03
6	ESTHER LOW SUET CHENG	6,540,373	1.41
7	VINCENT SIM TECK LENG (SHEN DELONG)	6,540,373	1.41
8	KGI SECURITIES (SINGAPORE) PTE LTD	6,156,100	1.33
9	CITIBANK NOMINEES SINGAPORE PTE LTD	6,037,600	1.30
10	TOE TEOW HENG	6,000,000	1.30
11	PHILLIP SECURITIES PTE LTD	4,582,300	0.99
12	GREGORY JONATHAN SEE JINGWEN (GREGORY JONATHAN SHI JINGWEN)	4,300,000	0.93
13	LEONG LAI YEE	4,300,000	0.93
14	NG KIM SHAN	3,850,000	0.83
15	LIM YAO RONG RACHEL	3,600,000	0.78
16	UOB KAY HIAN PTE LTD	3,460,506	0.75
17	JUNG SUK YOUNG	3,460,209	0.75
18	ADELINE OON YAR CHING (ADELINE WEN YAQING)	3,100,000	0.67
19	BOON GEK PTE LTD	3,000,000	0.65
20	YIP CHOI HENG	3,000,000	0.65
	TOTAL	**309,601,606**	**66.88**

STATISTICS OF SHAREHOLDINGS

AS AT 22 MARCH 2017

SUBSTANTIAL SHAREHOLDERS

	DIRECT INTEREST		DEEMED INTEREST	
NAME OF SHAREHOLDER	NO. OF SHARES	%	NO. OF SHARES	%
SPACKMAN EQUITIES GROUP INC.	152,120,000	32.85	–	–
LEE YOO JIN	23,160,000	5.00	–	–

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

On the basis of the information available to the Company as at 22 March 2017, approximately 61.40% of the issued ordinary shares of the Company is held in the hands of the public. This is in compliance with Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited which requires at least 10% of a listed issuer's equity securities to be held by the public.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Spackman Entertainment Group Limited (the "**Company**") will be held at Orchid Country Club, 1 Orchid Club Road, Sapphire I, Level 2, Singapore 769162 on Thursday, 27 April 2017 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Auditors' Report thereon.
(Resolution 1)

2. To re-elect Mr. Charles Choi Spackman who is retiring pursuant to the Company's Constitution and who, being eligible, offers himself for re-election.

   Mr Charles Choi Spackman will, upon re-election as a Director of the Company, remain as an Executive Chairman and Chief Executive Officer of the Company and a member of the Nominating Committee.
   [See Explanatory Note (a)] **(Resolution 2)**

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

   Mr. Ng will upon re-election as Director of the Company, remain as an Independent Director of the Company, the Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee. He is considered independent for the purpose of Rule 704(7) of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") (the "**Catalist Rules**").
   [See Explanatory Note (b)] **(Resolution 3)**

4. To re-elect Mr. Jung Suk Young who is retiring pursuant to the Company's Constitution and who, being eligible, offers himself for re-election.

   Mr. Jung Suk Young will, upon re-election as a Director of the Company, remain as an Executive Director of the Company.
   [See Explanatory Note (c)] **(Resolution 4)**

5. To approve the payment of Directors' fees of US$108,000 (2016: US$108,000) for the financial year ending 31 December 2017, to be paid quarterly in arrears.
(Resolution 5)

6. To re-appoint Messrs Baker Tilly TFW LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration.
(Resolution 6)

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

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

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

8. **Authority to Allot and Issue Shares**

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

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

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

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

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

provided that:

(a) the aggregate number of Shares to be allotted and issued (including Shares to be issued in pursuance of Instruments made or granted) pursuant to this Resolution, shall not exceed one hundred per cent (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of Shares to be allotted and issued (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) other than on a pro rata basis to the existing shareholders of the Company shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (b) below) or such other limit as may be prescribed by the Catalist Rules as at the date this Resolution is passed;

(b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) that may be issued under sub-paragraph (a) above, the percentage of the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:

(i) new Shares arising from the conversion or exercise of any convertible securities;

(ii) new Shares arising from exercising of share options or vesting of share awards which are outstanding and/or subsisting at the time of the passing of this Resolution, provided the share options or share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(iii) any subsequent bonus issue, consolidation or subdivision of Shares;

NOTICE OF ANNUAL GENERAL MEETING

(c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), and all applicable legal requirements under the Act and the Constitution for the time being of the Company;

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

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

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

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

[See Explanatory Note (e)] **(Resolution 8)**

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

THAT

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

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

(c) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:

(i) the conclusion of the next AGM or the date by which such AGM is required by law to be held;

(ii) the date on which the buy-back of the shares is carried out to the full extent mandated; or

(iii) the date on which the authority conferred in the Share Buy Back Mandate is varied or revoked by the shareholders in a general meeting;

(d) for purposes of this Resolution:

"**Prescribed Limit**" means 10% of the issued ordinary share capital of the Company (excluding any treasury shares and subsidiary holdings) as at the date of passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares and subsidiary holdings that may be held by the Company from time to time);

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

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

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

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

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

[See Explanatory Note (f)] **(Resolution 9)**

By Order of the Board

Mr Charles Choi Spackman
Executive Chairman and Chief Executive Officer
Singapore
12 April 2017

Explanatory Notes:

(a) Information on Mr Charles Choi Spackman can be found on page 21 of the annual report.

(b) Information on Mr. Ng Hong Whee can be found on page 22 of the annual report.

(c) Information on Mr. Jung Suk Young can be found on page 21 of the annual report.

(d) The Resolution 7 in item 8, 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 7, 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 7 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 7. For issue of Shares and convertible securities other than on a pro-rata basis to all shareholders, the aggregate number of Shares and convertible securities to be issued shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time of passing of this Resolution 7.

(e) The Resolution 8 in item 9, 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.

(f) The Resolution 9 in item 10, 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 9. Details the proposed renewal of the Share Buy Back Mandate are set out in the Appendix accompanying this annual report.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

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

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

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

   # *Relevant intermediary means:*

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

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

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

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

Personal Data Privacy

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

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

PROXY FORM
ANNUAL GENERAL MEETING

IMPORTANT
1. Personal Data Privacy
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of the Annual General Meeting dated 12 April 2017.
2. Relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) may appoint more than two proxies to attend and vote at the AGM of the Company.

I/We ______________________ NRIC/Passport/Company Registration No.: ______________

of ____

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

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

and/or (delete as appropriate)

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

or failing him/her, the Chairman of the Annual General Meeting (the "**AGM**"), as my/our proxy/proxies to attend and vote for me/us on my/our behalf, at the AGM of the Company to be held at Orchid Country Club, 1 Orchid Club Road, Sapphire I, Level 2, Singapore 769162 on Thursday, 27 April 2017 at 3.00 p.m., and at any adjournment thereof. I/we have indicated against the Resolutions set out in the Notice of the AGM and summarised below how I/we wish my/our proxy/proxies to vote. If no specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/her/their discretion.

	Ordinary Resolutions	**Number of Votes For***	**Number of Votes Against***
	Ordinary Business		
Resolution 1	To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2016 and the Auditor's Report thereon		
Resolution 2	To re-elect Mr Charles Choi Spackman as a Director of the Company		
Resolution 3	To re-elect Mr. Ng Hong Whee as a Director of the Company		
Resolution 4	To re-elect Mr. Jung Suk Young as a Director of the Company		
Resolution 5	To approve the payment of Directors' fees for the financial year ending 31 December 2017, to be paid quarterly in arrears		
Resolution 6	To re-appoint Messrs Baker Tilly TFW LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration		
	Special Business		
Resolution 7	To approve and authorise the Directors to allot and issue shares in the capital of the Company		
Resolution 8	To approve and authorise the Directors to allot and issue shares under the Spackman Entertainment Group Limited Employee Share Option Scheme		
Resolution 9	To approve the proposed renewal of the Share Buy Back Mandate		

* Each share shall have one vote only. If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ________ day of ________________ 2017

Total Number of Ordinary Shares Held	
CDP Register	
Register of Members	

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

IMPORTANT. Please read notes overleaf

Notes:–

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares.
2. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
3. A corporation which is a member may appoint an authorised representative or representatives in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore to attend and vote for and on behalf of such corporation.
4. (a) A member of the Company who is not a relevant intermediary (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) is entitled to appoint not more than two proxies to attend and vote in his/her behalf at the AGM. A proxy need not be a member of the Company. Where such member's instrument appointing a proxy or proxies appoints more than one proxy, the proportion of his/her total number of shares concerned to be represented by each proxy shall be specified in the instrument appointing a proxy or proxies. If no proportion of shares is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares and any second named proxy as an alternate to the first named or at the Company's discretion to treat this instrument appointing a proxy or proxies as invalid.

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

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

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5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or signed on its behalf by an officer or attorney duly authorised in writing.
6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by the attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. The instrument appointing a proxy or proxies must be deposited at the office of the Company's share registrar, Tricor Barbinder Share Registration Services, either by hand or by post to 80 Robinson Road, #11-02 Singapore 068898, not less than forty-eight (48) hours before the time appointed for holding the AGM in accordance with the instructions stated.
8. An investor who buys shares using SRS monies ("SRS Investor") (as may be applicable) may attend and cast his/her vote(s) at the AGM in person. SRS Investors who are unable to attend the AGM but would like to vote, he/she may inform their SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the SRS Investors shall be precluded from attending and voting the AGM.

General:

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

CORPORATE INFORMATION

BOARD OF DIRECTORS
Charles Spackman (Executive Chairman and CEO)
Eugene Lee (Executive Director and Chief Producer)
Suk Young Jung (Executive Director)
Jessie Ho (Lead Independent Director)
Anthony Wong (Independent Director)
Ng Hong Whee (Independent Director)

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

NOMINATING COMMITTEE
Jessie Ho (Chairman)
Anthony Wong
Charles Spackman

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

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

REGISTERED OFFICE
16 Collyer Quay
#17-00
Singapore 049318

PRINCIPAL PLACE OF BUSINESS

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

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

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

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

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

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

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

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

spackmanentertainmentgroup

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

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