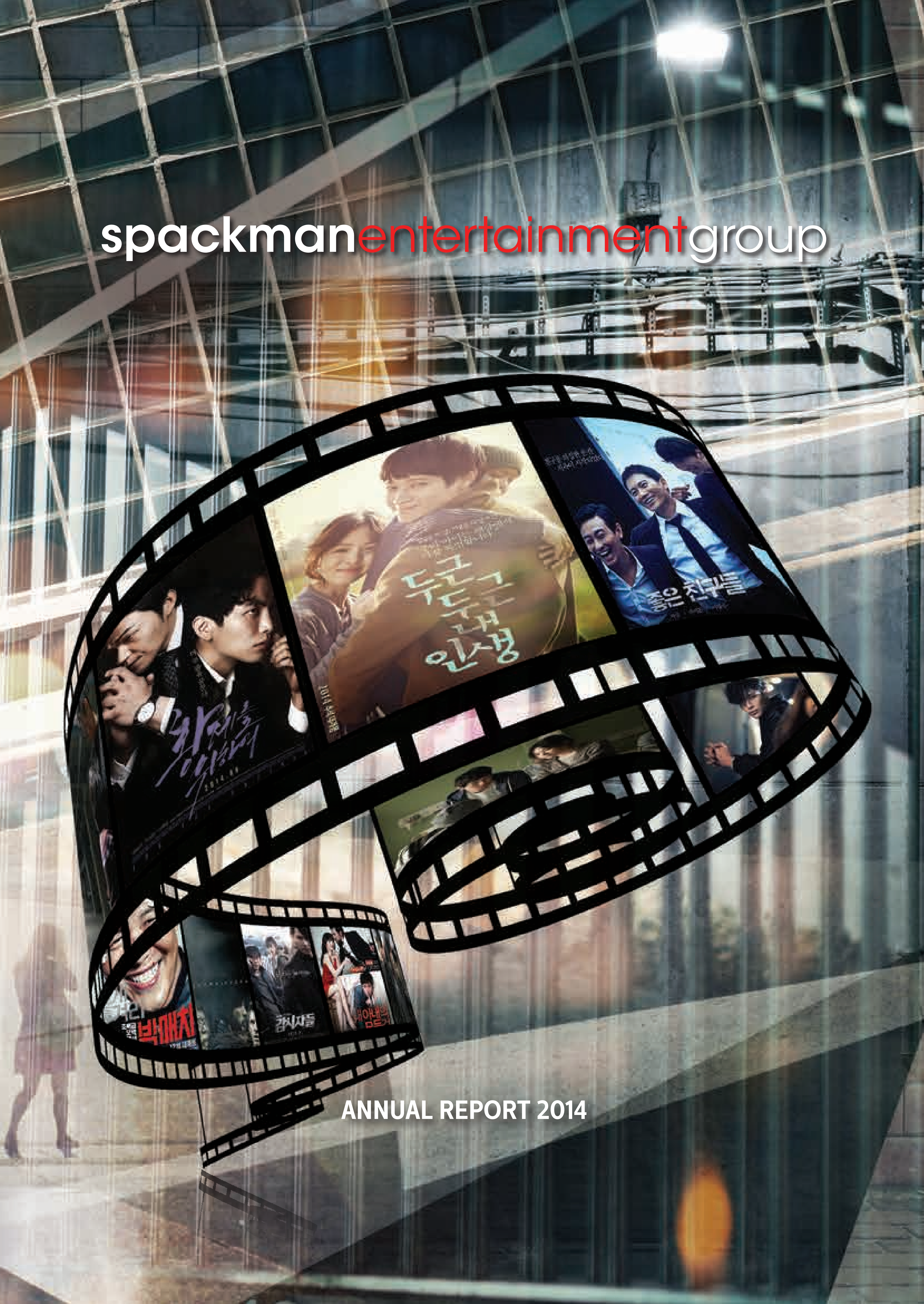
spackmanentertainmentgroup



ANNUAL REPORT 2014

Contents

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

This annual report has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the SGX-ST Listing Manual Section B: Rules of 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, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.

Corporate Profile

Spackman Entertainment Group Limited ("**Spackman Entertainment Group**", and together with its subsidiaries, the "**Group**") is a leading entertainment production company that is primarily engaged in the independent development, production, presentation, and financing of theatrical motion pictures in Korea. 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: we own one of Korea's leading talent management agencies, UAA Korea Co., Ltd., which represents Hallyu stars Song Hye-kyo (*THE CROSSING; MY BRILLIANT LIFE; THE GRANDMASTER; HWANG JIN YI; THE QUEENS*), Gang Dong-won (*MY BRILLIANT LIFE; KUNDO; HAUNTERS*), and Yoo Ah-in (*ELEGANT LIES; PUNCH*); operate a café-lounge called Upper West, in the Gangnam district of Seoul; own a professional photography studio, noon pictures Co., Ltd.; and produce documentary programmes for broadcast and cable television through Film Auteur Co., Ltd. Spackman Entertainment Group is listed on the Catalist of the Singapore Exchange Securities Trading Limited under the ticker 40E.

Our three motion picture production and financing subsidiaries, namely, Zip Cinema Co., Ltd. ("**Zip Cinema**"), Opus Pictures Limited Liability Company ("**Opus Pictures**"), and Novus Mediacorp Co., Ltd. ("**Novus Mediacorp**") are three of the most recognised film production labels in Korea, and have originated, produced, and financed some of Korea's most commercially successful theatrical films for the past seven years. Our films are theatrically distributed and released in Korea and overseas markets, as well as for subsequent post-theatrical worldwide release in other forms of media, including cable television, broadcast television, IPTV, video-on-demand, and home video/DVD, etc. We release all of our motion pictures into wide-theatrical exhibition initially in Korea, and then in overseas and ancillary markets.

Zip Cinema and Opus Pictures have produced/presented and released a total of 18 theatrical motion pictures since their incorporation, the majority of which were profitable and some of which were among the top grossing films in Korea in recent years. Recent theatrical releases of our motion pictures include some of Korea's highest grossing and award-winning films such as *SNOWPIERCER* (2013-2014), *COLD EYES* (2013), and *ALL ABOUT MY WIFE* (2012).

In addition, for the past five years, Novus Mediacorp was the investor, presenter, and/or ancillary distributor for a total of 54 films (35 Korean and 19 foreign) including *SECRETLY, GREATLY* (2013), which was one of the biggest box office hits of 2013 starring Kim Soo-hyun of *MY LOVE FROM THE STARS*, as well as *FRIEND 2 : THE GREAT LEGACY*. In 2012, Novus Mediacorp was also the ancillary distributor of *ALL ABOUT MY WIFE* (2012), a top-grossing romantic comedy produced by Zip Cinema.

On 17 October 2014, the Company signed a definitive agreement to acquire a 51% majority stake in Breakfastfilm Co., Ltd. ("**Breakfastfilm**"), a leading marketing and media company that specialises in the production of TV/new media commercials and K-pop music videos in Korea. Founded in 2004, Breakfastfilm has produced some of Korea's most well-known TV commercials for major multinational clients such as Samsung, Hyundai Motors, LG, Coca-Cola, McDonald's, Adidas as well as other major Korean corporate brands. Moreover, as a leading producer of K-pop music videos, Breakfastfilm has produced many of Korea's most popular music videos including Wonder Girls' *Nobody*, Girls Generation's *Genie*, 2PM's *Without You*, Miss A's *Breathe*, Rain's *I'm Coming*, Super Junior's *Bonamana*, Shinee's *Everybody*, and JYP's *No Love No More*. Upon the completion of the acquisition, Breakfastfilm will become our majority-owned subsidiary.


Chairman's Message

Dear Shareholders,

On behalf of the Board of Directors of Spackman Entertainment Group, I present to you the inaugural annual report for the financial year ended 31 December 2014 ("FY2014").

The year 2014 was a milestone year for the Group as the Company successfully listed on the Catalist of the Singapore Exchange Securities Trading Limited on 22 July 2014. As the first Korean entertainment group to list in Singapore, we are pleased with the support and keen interest from our institutional investors and the general investing public.

We remain committed to continue producing and investing in award-winning and commercially successful films, which will afford us access to leading talent, scripts, film investors and key business relationships without compromising our disciplined approach to managing financial risk.

PERFORMANCE REVIEW

Nonetheless, 2014 was a challenging year for the Group as we dealt with a mixed year for the Korean film industry.

The overall Korean box office revenues increased to KRW1.66 trillion (US$1.58 billion) in 2014 from KRW1.55 trillion (US$1.48 billion) in 2013. However, for the first time in recent years, the market share of Korean films decreased to 50%, from 60% in 2013 as 2014 saw the popularity of foreign franchise and super-hero films such as *X-MEN, CAPTAIN AMERICA*, and *TRANSFORMERS*.

External factors such as the Sewol Ferry disaster in April 2014 and the 2014 FIFA World Cup in the summer also weighed heavily on the domestic film market, which saw a domestic ticket sales decline of more than 30% year-on-year. The overall domestic box office only started to recover in August 2014. This negatively affected the box office performance of our movies released during that period.

Consequently, the Group reported a full-year loss before tax of US$7.52 million for FY2014 as compared to a profit before tax of US$3.24 million in FY2013. This was on the back of weak performance of the Group's films at the Korean box office as well as significant one-off expenses incurred during FY2014. However, the Group's revenue rose 35% to US$16.06 million in FY2014, mainly due to revenue generated from the production and/or presentation of our four films: *FOR THE EMPEROR, CONFESSION, MY BRILLIANT LIFE* and *BIG MATCH*.

In every fiscal year since 2009, the movies produced by our subsidiaries had, on average, been profitable. FY2014 was the first year in the last five fiscal years that our movies returned a loss. Despite the weak performance of our movies at the domestic box office, the Group's disciplined approach to the production of and investment in movies limited our losses on the Group's four films to US$0.47 million, which accounted for 6% of the Group's net loss after tax.

Nevertheless, the Company has experienced such challenges in the past, and we remain confident about the prospects of the Korean domestic movie industry. In addition, the Group's strong financial position after our listing enables us to withstand the fluctuations of the movie business.

Backed by the expertise and experience of our team, we aim to continue to make commercially successful films to strengthen our financial performance. Any one commercially strong film can improve our financial performance.

STRENGTHENING OUR PRESENCE IN THE KOREAN ENTERTAINMENT INDUSTRY

Besides strategically strengthening our core capabilities in the movie production business, the Group has been focused on our strategy to grow through accretive acquisitions to seek new talent and diversify income streams across the Korean entertainment industry.

Since our initial public offering, we have concluded a number of acquisitions straddling various segments of the Korean entertainment industry. We are delighted to welcome to our Group: Novus Mediacorp Co., Ltd. ("Novus Mediacorp"), a renowned movie investor, presenter, and ancillary distributor of Korean theatrical films; noon pictures Co., Ltd., a professional photography studio servicing corporate clientele in film and TV production, media, magazines, advertising and agency pictures; and UAA Korea Co., Ltd., a leading talent management agency in Korea, representing artistes Song Hye-kyo (*THE CROSSING, MY BRILLIANT LIFE, THE GRANDMASTER, HWANG JIN YI* and *THE QUEENS*), Gang Dong-won (*MY BRILLIANT LIFE, KUNDO* and *HAUNTERS*), and Yoo Ah-in (*ELEGANT LIES* and *PUNCH*).

In addition, the Group has entered into an agreement and memorandum of understanding to acquire Breakfastfilm Co., Ltd. ("Breakfastfilm") and Fireworks Co., Ltd. ("Fireworks"), respectively. Breakfastfilm is a leading marketing and media company that specialises in the production of TV/new media commercials and K-pop music videos in Korea while Fireworks is a post-production house that creates high-end visual effects for TV commercials, music videos, films and digital media.

These acquisitions and agreement are expected to stabilise the Group's overall fiscal performance moving forward.

During the year, the Group also entered into an agreement to receive a minimum guarantee of KRW2.00 billion (US$1.90 million) in advance from KT Hitel Co., Ltd. for the ancillary distribution rights to four of our future productions. This is testament to the Group's credibility and reputation of our production brands, Opus Pictures and Zip Cinema.

We would like to highlight that the ancillary market is the fastest growing segment of the film industry in recent years with post-theatrical revenues amounting to a significant portion of the overall income from a film. Through Novus Mediacorp, we will be well-positioned to capitalise on this rapidly growing segment substantially more than we have in the past. The additional slate of productions from Novus Mediacorp will also help us diversify our financial exposure over a more extensive lineup of movies going forward.

We expect to release our first major Korean film, *BLACK PRIESTS*, in August this year. Produced by Zip Cinema and presented by Opus Pictures, the movie stars Gang Dong-won and Kim Yoon-seok. This is their first collaboration in six years since the 2009 hit movie *WOOCHI*, which was also produced by Zip Cinema and sold more than six million tickets.

Including *BLACK PRIESTS*, the Group currently has a strong pipeline of 13 films in various stages of development and production. Moving forward, we intend to scale our business over time by increasing the number of movies we develop and produce in FY2016 and thereafter.

Our core focus on the Korean entertainment industry remains unchanged. We remain committed to continue producing and investing in award-winning and commercially successful films, which will afford us access to leading talent, scripts, film investors and key business relationships without compromising our disciplined approach to managing financial risk. We will continue to maintain this disciplined approach to the production of and investment into our theatrical film projects by balancing our financial risks against the probability of commercial success for each project.

We will also actively explore opportunities to directly produce foreign language films targeted for worldwide distribution and enter into partnerships, joint ventures and strategic alliances in overseas markets in order to expand our presence internationally.

In particular, we are excited about the growth opportunities in the movie industry in the People's Republic of China (the "PRC"). As announced last year, the governments of South Korea and the PRC signed a co-production pact to treat co-productions between both countries as local films, allowing South Korean films to avoid the PRC's quota of 34 imported films a year. This move is set to provide our movie producers greater access to the Chinese market, allowing us to ride on the strong growing demand for Korean entertainment content in the PRC.

IN APPRECIATION

On behalf of the Board of Directors, I would like to express our gratitude and appreciation to all our shareholders, investors, business associates and staff for their unwavering support and commitment to Spackman Entertainment Group.

I would also like to thank my fellow Board members for their wise counsel and the collective efforts in driving the Group's strategy forward into FY2015 and beyond.

Charles Spackman
Executive Chairman

Operations and Financial Review

OPERATIONS REVIEW

A LANDMARK YEAR: GROWING THE BUSINESS

The financial year ended 31 December 2014 ("FY2014") was a watershed year for Spackman Entertainment Group Limited ("Spackman Entertainment Group" or the "Company"). The Company listed on Catalist, the sponsor-supervised board of the Singapore Exchange, in July 2014 and became the first Korean entertainment group to list in Singapore.

Using the proceeds from the initial public offering, the Group leveraged on the growing demand for Korean entertainment content domestically and throughout Asia to expand the Group's operations.

As part of the Group's strategy to expand its operations, Spackman Entertainment Group completed a number of acquisitions spanning various sectors of the Korean entertainment industry value chain.

These acquisitions include:

- A 51.00% stake in Novus Mediacorp Co., Ltd. ("Novus Mediacorp"), a renowned movie investor, presenter, and ancillary distributor of Korean theatrical films. The Korean ancillary market is the fastest growing segment of the film industry in recent years with post-theatrical revenues amounting to a significant portion of the overall revenues of a film. Through Novus Mediacorp, the Group will be well-positioned to capitalise on this rapidly growing segment substantially more than it has in the past. The additional slate of film productions from Novus Mediacorp will help the Group diversify its financial exposure over a more extensive lineup of movies from this year;
- A 51.49% stake in UAA Korea Co., Ltd. ("UAA"), a leading talent management agency in Korea, representing Hallyu stars Song Hye-kyo (*THE CROSSING*; *MY BRILLIANT LIFE*; *THE GRANDMASTER*; *HWANG JIN YI*; *THE QUEENS*), Gang Dong-won (*MY BRILLIANT LIFE*; *KUNDO*; *HAUNTERS*), and Yoo Ah-in (*ELEGANT LIES*; *PUNCH*). In addition, with the recent merger of UAA with United Pictures Co., Ltd., the Group carries a well-established proprietary brand for its future film presentation and distribution endeavors; and
- A 60.24% stake in noon pictures Co., Ltd. ("noon pictures"), a professional photography studio servicing corporate clientele in film and TV production, media, magazines, advertising and agency pictures. noon pictures can provide significant synergies with the Group's existing business of producing movies, which requires high-end photography work. In addition, possessing such photography capabilities in-house will enhance cost effectiveness, and, ultimately, provide the Group an additional revenue stream.

The Group also signed an agreement and entered into a memorandum of understanding to acquire equity stakes in Breakfastfilm Co., Ltd. ("Breakfastfilm") and Fireworks Co., Ltd. ("Fireworks"), respectively. Breakfastfilm is a leading marketing and media company that specialises in the production of TV/new media commercials and K-pop music videos in Korea while Fireworks is a post-production house that creates high-end visual effects for TV commercials, music videos, films and digital media.

These acquisitions and agreements serve to strengthen the Group's core capabilities in the movie production business and stabilise its overall fiscal performance through the diversification of its revenue streams.

In FY2014, the Group produced three films – *FOR THE EMPEROR* (produced and presented by an indirect wholly-owned subsidiary of the Company, Opus Pictures Limited Liability Company ("Opus Pictures")), *CONFESSION* (produced by Opus Pictures) and *MY BRILLIANT LIFE* (produced by an indirect wholly-owned subsidiary of the Company, Zip Cinema Co., Ltd. ("Zip Cinema")). Opus Pictures also presented *BIG MATCH* during the financial year under review.

Notably, the Group entered into an agreement to receive a minimum guarantee of KRW2.00 billion (US$1.90 million) in advance from KT Hitel Co., Ltd., a subsidiary of one of Korea's largest telecommunications company, for the ancillary distribution rights to four of its future productions, which includes *BLACK PRIESTS* that is expected to be released in August 2015. This is testament to the Group's credibility and reputation of our production brands, Opus Pictures and Zip Cinema.

FINANCIAL REVIEW

A CHALLENGING YEAR

The Group's revenue increased 35% to US$16.06 million in FY2014 from US$11.89 million in FY2013. This was mainly due to an increase in revenue generated from the Group's production and/or presentation of four films in FY2014, namely, *FOR THE EMPEROR* (US$3.74 million), *CONFESSION* (US$4.38 million), *MY BRILLIANT LIFE* (US$5.10 million) and *BIG MATCH* (US$0.80 million). In the preceding FY2013, the Group was involved in the production and presentation of one film, *COLD EYES* (US$10.35 million).

However, the increase in revenue from the production of films was offset by a decrease in revenue from other film related activities of US$2.57 million in FY2014 as compared to US$6.18 million in the prior financial year. The decrease was largely attributable to the weaker box office ticket sales of the Group's films in FY2014, which led to a lower share of profits from films produced by the Group and from film presentation, investments and distributions as compared to FY2013, in which *COLD EYES* alone had contributed revenues from other film related activities of US$5.63 million.

In tandem with an increase in revenue, cost of sales increased 145% to US$15.55 million in FY2014 from US$6.35 million in FY2013.

Consequently, the Group recorded a gross profit of US$0.51 million in FY2014, as compared to US$5.54 million in FY2013.

Selling expenses increased 91% to US$0.67 million in FY2014 from US$0.35 million in the financial year before, mainly as a result of the expenses related to the four films produced and/or presented by the Group compared to one film in FY2013.

Other income increased 11% to US$0.51 million in FY2014 from US$0.46 million in FY2013.

General and administrative expenses increased 240% to US$7.76 million in FY2014 from US$2.28 million in FY2013. The increase was largely due to one-off and non-recurring expenses of US$3.88 million which consists of the impairment loss on film production inventories, listing expenses, bad debt expenses relating to *CONFESSION* and the recognition of foreign exchange loss. Without taking into account these one-off and non-recurring expenses, the Group's general and administrative expenses would have been US$3.88 million, representing an increase of 70% from FY2013 instead. This increase was mainly attributable to higher operating expenses due to an increase in employee headcount, travelling expenses and professional service fees as the Group transitioned to a public listed company.

Finance costs decreased 29% to US$0.10 million in FY2014 from US$0.14 million in FY2013 as a result of a decrease in the interest expenses on bank loans and convertible loans in FY2014.

The Group recorded a loss before tax of US$7.52 million as compared to a profit before tax of US$3.24 million in FY2013. Despite the loss before tax, the Group recognised non-cash tax expenses of US$0.56 million as a result of deferred tax assets recorded in prior years being expensed off. Overall, the Group's net loss after tax for FY2014 was US$8.08 million compared to a profit after tax of US$2.61 million in the previous financial year.

STRONG FINANCIAL POSITION

As at 31 December 2014, the Group maintained a strong financial position. Total assets amounted to US$32.04 million as at 31 December 2014, an increase from US$25.84 million as at 31 December 2013, while total liabilities decreased to US$14.62 million as at 31 December 2014 from US$16.85 million as at 31 December 2013.

The Group's non-current assets increased to US$6.44 million as at 31 December 2014 from US$6.27 million as at 31 December 2013, largely attributable to an increase in intangible assets and property, plant and equipment but was partially offset by the collection of loans extended by the Group to a related party and decreases in film production inventories and deferred tax assets. The increase in intangible asset mainly arose from the acquisition of UAA while the increase in property, plant and equipment was attributable to a building under construction.

Total current assets as at 31 December 2014 rose to US$25.60 million from US$19.57 million as at 31 December 2013. This was mainly due to an increase in investments, trade receivables and cash and cash equivalents but partially offset by a decrease in film production inventories mainly due to the release of *FOR THE EMPEROR*, *CONFESSION* and *MY BRILLIANT LIFE*.

The Group's non-current liabilities decreased to US$0.12 million as at 31 December 2014 from US$1.42 million as at 31 December 2013. The decrease was mainly attributable to the conversion of convertible bonds of US$1.30 million.

Current liabilities declined to US$14.50 million as at 31 December 2014, from US$15.43 million as at 31 December 2013, due mainly to a decrease in film obligations and production loans as well as tax payables. The decrease was partially offset by an increase in trade payables arising from the sharing of theatrical revenue and other ancillary income relating to *BIG MATCH*, and other payables mainly due to the acquisition of UAA and an increase in deferred revenue.

Operations and Financial Review
(cont'd)

For FY2014, cash used in operating activities amounted to US$10.24 million. This was largely attributable to an operating loss of US$5.98 million, changes in working capital, an increase in payables and receivables as well as a decrease in film production inventories and film obligations and production loans.

Cash used in investing activities for FY2014 amounted to US$0.67 million and was used mainly for the investment in subsidiaries and purchases of property, plant and equipment. Cash generated from financing activities totalled US$14.16 million in FY2014, which was mainly generated from the issuance of shares of US$14.14 million during the financial year. Consequently, cash and cash equivalents of the Group stood at a healthy level of US$12.18 million as at 31 December 2014 as compared to US$9.21 million as at 31 December 2013.

The Group reported a working capital of US$11.10 million as at 31 December 2014 as compared to US$4.15 million as at 31 December 2013, with a current ratio of 1.7 times as compared to 1.3 times as at 31 December 2013.

OUTLOOK

For the first time in Korean box office history, four films in 2014 *(THE ATTORNEY; FROZEN; ROARING CURRENTS; and INTERSTELLAR)* reached the 10 million admission mark. Overall box office revenues increased to KRW1.66 trillion (US$1.58 billion) in 2014 from KRW1.55 trillion (US$1.48 billion) in 2013. However, the proportion of Korean films decreased to 50% from 60% in 2013, and domestic ticket sales stood at KRW820.6 billion (US$781.06 million).

Domestic film market weakened in the aftermath of the sinking of the Sewol Ferry in April 2014 and was further impacted by the 2014 FIFA World Cup, and had only started to recover in August 2014. Historical period films dominated with four entries in the top 10 list of 2014. On the other hand, admissions to foreign films crossed 100 million for the first time to reach 107.36 million, boosted by franchise and super-hero films such as *X-MEN*, *CAPTAIN AMERICA*, and *TRANSFORMERS*. There were a total of 1,117 films (232 Korean films and 885 foreign films) that reached screens in 2014, breaking through four digits for the first time.

As of 21 February 2015, the overall Korean winter box office underperformed the previous two years. Cumulative revenues from movies released from December 2014 to end-February 2015 were down 19% year-on-year while total ticket admissions decreased 25% year-on-year. While the sentimental drama, *ODE TO MY FATHER*, and the documentary, *MY LOVE, DON'T CROSS THAT RIVER* were breakout successes, 13 films fragmented the market share. In contrast to the preceding winter of 2013-14, which witnessed five movies with over three million tickets sold of which two movies had sold over 10 million tickets, namely, *THE ATTORNEY* and *FROZEN*.

According to the Korean Film Council ("KOFIC"), revenues from South Korea's ancillary/digital distribution market have more than tripled from US$87.50 million in 2009 to US$282.95 million in 2014, and could provide industry players with a new revenue source. A KOFIC survey also showed that local audiences still prefer watching films in cinemas with Korean movies being the preferred choice of majority of the survey respondents. Apart from that, KOFIC found that subscription-based channels, paid Video-on-Demand and the internet were supplementary to cinemas.

In 2014, South Korea and the People's Republic of China (the "PRC") signed a co-production pact in response to the growing relationship between South Korea and the PRC and the growing demand for South Korean films. Under the terms of the pact, co-productions will be treated as local films, allowing South Korean films to avoid the PRC's quota of 34 imported films a year, which will provide South Korean movie producers with greater access to the growing Chinese market.

The Group believes that the abovementioned industry trends will benefit all industry players.

We expect to release our first major Korean film, *BLACK PRIESTS*, in August 2015. Produced by Zip Cinema and presented by Opus Pictures, the movie stars Gang Dong-won and Kim Yoon-seok, who are collaborating for the first time in six years after 2009 hit movie *WOOCHI*, which was also produced by Zip Cinema and sold more than six million tickets. *BLACK PRIESTS* will be the debut full-length film of director Jang Jae Hyun, who received an award at the Mise-en-scene Short Film Festival ("MSFF") for *12TH ASSISTANT DEACON*. The MSFF is one of the most prestigious film festivals in Korea.

Including *BLACK PRIESTS*, the Group's three motion picture production and financing subsidiaries, Zip Cinema, Opus Pictures and Novus Mediacorp have a current pipeline of 13 films in various stages of filmmaking and are slated to be released over the second half of 2015 and in 2016.

The Group's recent acquisitions in FY2014 along various segments of the Korean entertainment value chain are also expected to contribute to the financial performance of the Group from 2015 onwards.

Going forward, Spackman Entertainment Group will continue to pursue its strategy to grow through accretive acquisitions to seek new talent and diversify income streams across the Korean entertainment industry.

Past Releases by Zip Cinema and Opus Pictures

BIG MATCH
NOVEMBER 26, 2014
OPUS PICTURES[1]

MY BRILLIANT LIFE
SEPTEMBER 3, 2014
ZIP CINEMA

CONFESSION
JULY 10, 2014
OPUS PICTURES

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

FOR THE EMPEROR
JUNE 11, 2014
OPUS PICTURES

COLD EYES
JULY 3, 2013
ZIP CINEMA

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

HOWLING
FEBRUARY 16, 2012
OPUS PICTURES / FILM POETA

HAUNTERS
NOVEMBER 10, 2010
ZIP CINEMA

THE MAN FROM NOWHERE
AUGUST 4, 2010
OPUS PICTURES

LOVERS VANISHED
APRIL 1, 2010
OPUS PICTURES

WOOCHI
DECEMBER 23, 2009
ZIP CINEMA

CLOSER TO HEAVEN
SEPTEMBER 24, 2009
ZIP CINEMA

YOGA
AUGUST 20, 2009
OPUS PICTURES

A FROZEN FLOWER
DECEMBER 30, 2008
OPUS PICTURES

ANTIQUE
NOVEMBER 13, 2008
ZIP CINEMA / SOO FILM

HAPPINESS
OCTOBER 3, 2007
ZIP CINEMA / RAI FILM

VOICE OF A MURDERER
FEBRUARY 1, 2007
ZIP CINEMA

영화사 집
ZIP CINEMA

OPUS pictures

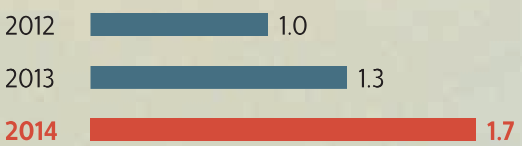
Note:

(1) We were the presenter for *BIG MATCH*, which is produced by a third party.

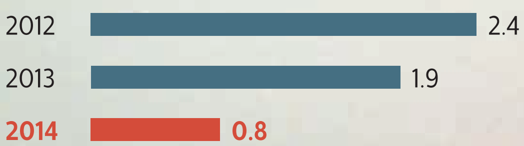
Financial Highlights

US$'million	FY2012	FY2013	FY2014
Revenue	4.4	11.9	16.1
Gross Profit	2.0	5.5	0.5
Profit/(Loss) before tax	(0.5)	3.2	(7.5)
Profit/(Loss) attributable to shareholders	(0.3)	2.7	(8.0)
Total shareholders' equity	3.8	8.9	16.2

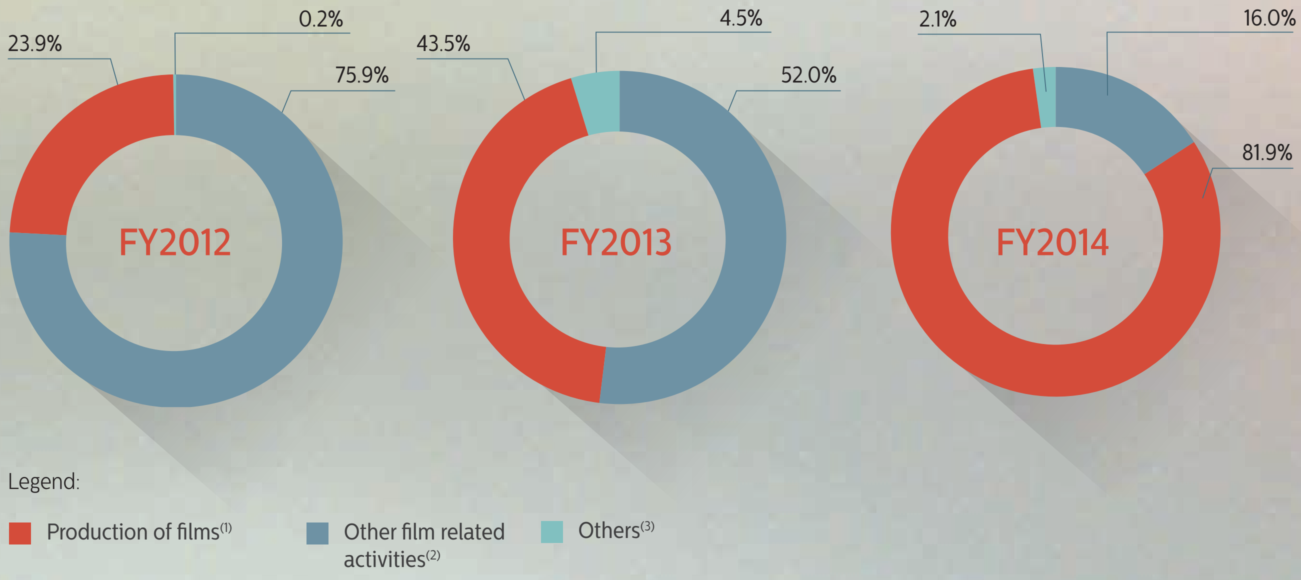
Current ratio



Debt-to-Equity ratio



REVENUE BREAKDOWN



Notes:

(1) This comprised fixed fees only.

(2) This comprised revenue from our share of profit from films for acting as the producer and revenue from film presentation, investment and distribution.

(3) This is related to revenue from restaurant sales from our café-lounge business, photography services, consultancy services and rental income.

Board of Directors

Charles Spackman
Executive Chairman

Mr. Charles Spackman is the Executive Chairman of our Group, and 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 17 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 is currently 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.

Tae Hun Lee
Executive Director and Chief Executive Officer

Mr. Tae Hun Lee is the Executive Director and CEO of our Group. He is the founder, chief executive officer and chief producer of Opus Pictures. Mr. Lee has produced some of Korea's major international award-winning films such as *SYMPATHY FOR LADY VENGEANCE* (2005), which is currently being remade by Universal Pictures for the US market, and *I AM A CYBORG, BUT THAT'S OK* (2006). Since founding Opus Pictures in 2008, Mr. Lee has produced and released eight films, including *A FROZEN FLOWER* (2008), a highly acclaimed and controversial epic melodrama set in the Koryo Dynasty, and *THE MAN FROM NOWHERE* (2010), an action thriller which was Korea's biggest box office draw of 2010 in terms of ticket admissions, selling 6.18 million tickets. Mr. Lee was the co-producer of *SNOWPIERCER* (2013), which sold 9.35 million tickets in Korea, making it the second biggest box office draw of 2013 in terms of ticket admissions.

Prior to establishing Opus Pictures, Mr. Lee was the chief executive officer of Moho Film, which was established by renowned Korean director Park Chan-Wook, from September 2001 to August 2005, Mr. Lee also worked at PMC Productions Ltd., one of the leading musical production companies in Korea, from December 1997 to November 1999.

He graduated with a B.A. from Sogang University in Korea, and a Master's degree in European Film Studies from The University of Edinburgh in Scotland.

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 nine 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) and *MY BRILLIANT LIFE* (2014).

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

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

Board of Directors
(cont'd)

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 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 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. Since February 2014, he has been working as a management consultant with Capital Corporate Services Limited based in Hong Kong. He was appointed as executive director and chief financial officer of China Public Procurement Limited, a public company in Hong Kong, as of December 10, 2014. From January 2011 until January 2014, Mr. Wong served as the chief financial officer of e-Kong Group Limited, a public company in Hong Kong. From June 2006 until December 2008, Mr. Wong served as the chief executive officer and director of a start-up Canadian capital pool company called New Legend Group Limited, which is listed on the Toronto Venture Exchange. He was also 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 PricewaterhouseCoopers.

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

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 Committee. Mr. Ng is currently the chief executive officer and executive chairman of Sincap Group Limited, a company listed on Catalist. He joined Sincap Group Limited in July 2011 as an executive director and president of business development. Mr. Ng is the legal representative of Sincap Group Limited's subsidiaries in the PRC, namely, Beijing Raffles Investment Advisory Co., Ltd., Beijing Sino-Lonther International Trading Co., Ltd., Shandong Sincap International Trading Co., Ltd., and Shandong Luneng Taishan Mining Co., Ltd.. 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.

Since March 2011, Mr. Ng has been serving as a director of Lu Kuang Group Pte. Ltd.. Mr. Ng has also been serving as a non-executive and non-independent director of Communication Design International Limited, a company listed on Catalist since 28 May 2014.

Key Management

Richard Lee
Head of Business Development

Mr. Richard Lee was appointed as the Head of Business Development of our Group in October 2013. He is primarily responsible for building our market position by locating, developing, negotiating and closing business relationships and opportunities. Mr. Lee is also a director of Spackman Equities Group Inc.. Prior to joining our Group, he was a Senior Vice President at CIMB Securities USA and the head of Korean Equity Sales in CIMB's New York office from 2012 to 2013. Prior to joining CIMB in 2010, Mr. Lee worked in areas such as fund management, private equity, equity sales & research, and mergers and acquisitions for companies such as BNP Securities Korea, HSBC Private Equity, and CLSA Securities. Mr. Lee graduated with an A.B. from Harvard College.

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 our Group in September 2013. Prior to joining the Group, Mr. Na worked with KPMG Korea and KPMG Singapore, providing audit, tax and advisory services to many private and public companies over a period of nine years. He is a member of the Institute of Singapore Chartered Accountants and a member of the Korean Institution of Certified Public Accountants. Mr. Na graduated with a Master of Science in Business Administration (majoring in Accounting) and a Bachelor of Science in Engineering from Seoul National University.

Jung Hyun Lee
Head of Investment and Production

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

Eun Ja Kim
Senior Manager of Finance and Administration

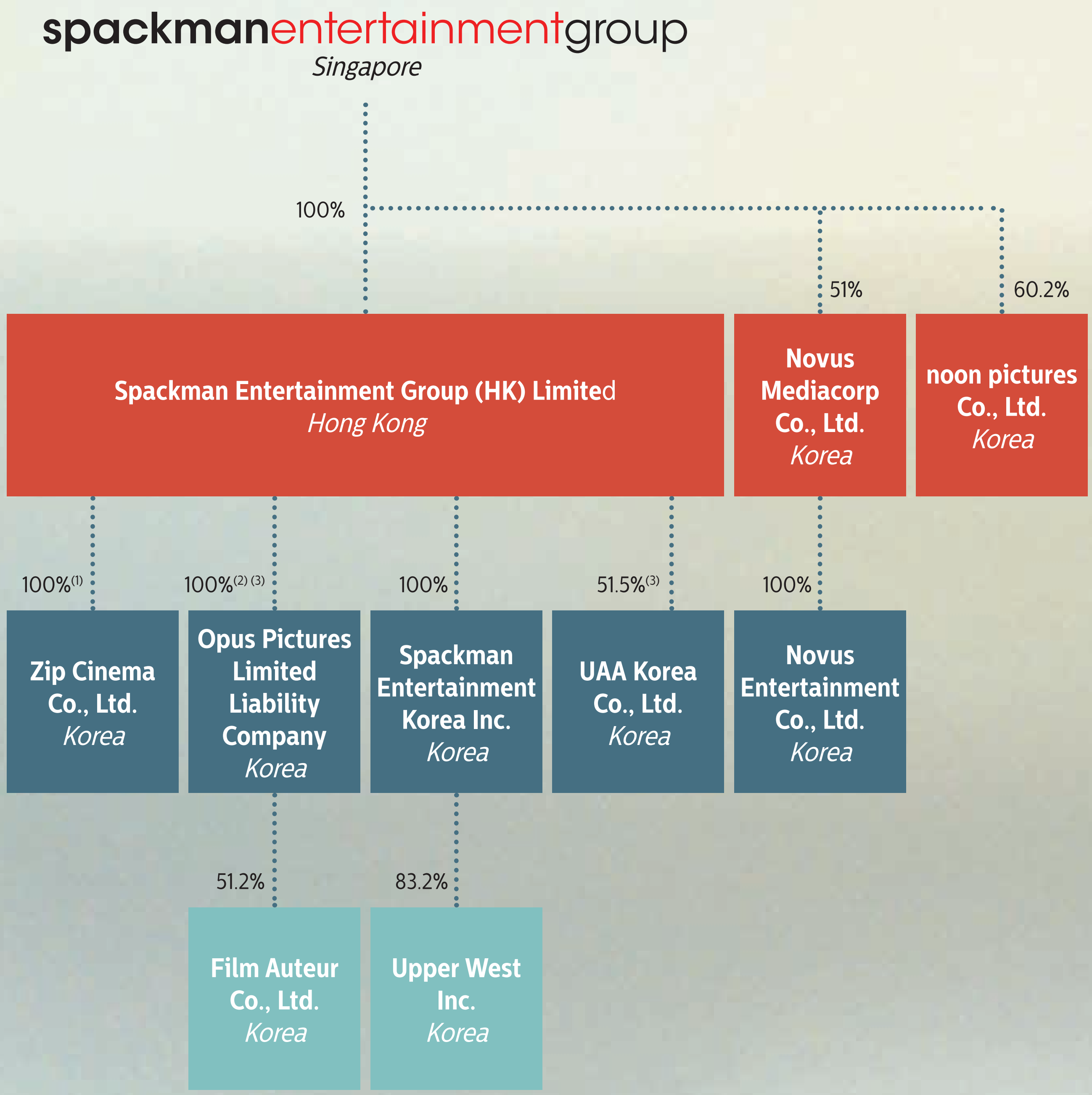
Ms. Eun Ja Kim is the Senior Manager of Finance and Administration of our Group and has been with Opus Pictures since January 2012. Ms. Kim assists our CFO and is responsible for maintaining financial, accounting, administrative and personnel matters. Prior to joining our Group, she worked at Focus Co.,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

Grace Teo
General Manager

Ms. Grace Teo was appointed as the General Manager of our Group in January 2015 and is primarily responsible for overseeing the Company's corporate actions, investor relations and operational matters. Prior to joining our Group, she was a manager at PrimePartners Corporate Finance Pte. Ltd. where she provided corporate finance advisory services to private as well as public companies listed on the Singapore Exchange. She also previously worked at Provenance Capital Pte. Ltd. and PricewaterhouseCoopers. Ms. Teo graduated with a Bachelor of Accountancy (Hons) degree from Nanyang Technological University, Singapore.

Corporate Structure

AS AT 23 MARCH 2015



Notes:

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

(2) SEGHK owns 99.71% of Opus Pictures directly, and the remaining 0.29% through its wholly-owned subsidiary SEL

(3) SEGHK owns 51.36% of UAA Korea Co., Ltd. directly, and the remaining 0.13% through Opus Pictures

Corporate Governance Report

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.

This report outlines the Company's corporate governance practices that were in place during the financial year ended 31 December 2014 ("**FY2014**"), 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?	The Company has complied with the principles and guidelines as set out in the Code and the Guide, where applicable.
	If not, please state the specific deviations and alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	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 FY2014.

Corporate Governance Report

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td colspan="3">BOARD MATTERS</td></tr>
<tr><td colspan="3">The Board's Conduct of Affairs</td></tr>
<tr><td>1.1</td><td>What is the role of the Board?</td><td>The Board has 6 members and comprises the following:

<table>
<tr><th colspan="2">Table 1.1 – Composition of the Board</th></tr>
<tr><th>Name of Director</th><th>Designation</th></tr>
<tr><td>Charles Choi Spackman (“Charles Spackman”)</td><td>Executive Chairman</td></tr>
<tr><td>Tae Hun Lee</td><td>Executive Director and Chief Executive Officer (“CEO”)</td></tr>
<tr><td>Yoo Jin Lee (“Eugene Lee”)</td><td>Executive Director and Chief Producer</td></tr>
<tr><td>Thong Yuen Siew Jessie (“Jessie Ho”)</td><td>Lead Independent Director</td></tr>
<tr><td>Anthony Wei Kit Wong (“Anthony Wong”)</td><td>Independent Director</td></tr>
<tr><td>Ng Hong Whee</td><td>Independent Director</td></tr>
</table>
The Board is entrusted to lead and oversee the Company, with the fundamental principle to act in the best interest of the Company. In addition to its statutory duties, the Board's principle functions are to:

• Set out overall long term strategic plans and objectives for the Group and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
• Establish a framework of prudent and effective internal controls and risk management strategies, which enables risk to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;
• Review management performance;
• Ensure good corporate governance practices to protect the interests of shareholders; and
• Appoint Directors and key management personnel.</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>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 compositions of the Board Committees are as follows:
<table>
<tr><th colspan="4">Table 1.3 – Composition of the Board Committees</th></tr>
<tr><th></th><th>ARMC</th><th>NC</th><th>RC</th></tr>
<tr><td>Chairman</td><td>Anthony Wong</td><td>Jessie Ho</td><td>Ng Hong Whee</td></tr>
<tr><td>Member</td><td>Jessie Ho</td><td>Charles Spackman</td><td>Jessie Ho</td></tr>
<tr><td>Member</td><td>Ng Hong Whee</td><td>Anthony Wong</td><td>Anthony Wong</td></tr>
</table>
</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 Company was admitted to the Official List of the Catalist of the SGX-ST on 22 July 2014 and held its first Board and Board Committees meetings on 29 August 2014. The number of Board and Board Committees meetings held and the attendance of each Board member during the period from 22 July 2014 to 31 December 2014 in FY2014 are shown below.
<table>
<tr><th colspan="5">Table 1.4 – Board and Board Committee Meetings in FY2014</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>2</td><td>2</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>2/2</td><td>NA</td><td>1/1</td><td>NA</td></tr>
<tr><td>Tae Hun Lee</td><td>2/2</td><td>NA</td><td>NA</td><td>NA</td></tr>
<tr><td>Eugene Lee</td><td>2/2</td><td>NA</td><td>NA</td><td>NA</td></tr>
<tr><td>Jessie Ho</td><td>2/2</td><td>2/2</td><td>1/1</td><td>1/1</td></tr>
<tr><td>Anthony Wong</td><td>2/2</td><td>2/2</td><td>1/1</td><td>1/1</td></tr>
<tr><td>Ng Hong Whee</td><td>2/2</td><td>2/2</td><td>NA</td><td>1/1</td></tr>
</table>
NA – Not applicable

The Company’s Articles of Association (the “Articles”) allow 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; • share issuance, dividend release or changes in capital; • budgets, financial results announcements, annual report and audited financial statements; • material financing and restructuring plans; and • material interested person transactions.
1.6	(a) Are new Directors given formal training? If not, please explain why.	All newly appointed Directors 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.
	(b) What are the types of information and training provided to (i) new Directors and (ii) existing Directors to keep them up-to-date?	Briefings, updates and trainings for the Directors in FY2014 include the following: • the external auditors ("**EA**") had briefed the ARMC on changes or amendments to accounting standards; • Duane Morris & Selvam LLP, the solicitor to the placement and the initial public offering ("**IPO**") of the Company, and legal advisers of the Company, briefed the Board on the (i) guidelines of the Code, (ii) latest amendments to the Securities and Futures Act (Chapter 289 of Singapore) on disclosure of Interests requirements for Directors, CEO and substantial shareholders, and (iii) Risk Governance Guidance for Listed Boards issued by the Corporate Governance Council. • Mr. Charles Spackman, Mr. Tae Hun Lee, Ms. Eugene Lee, Mrs. Jessie Ho and Mr. Anthony Wong had attended the "Listed Company Director Essentials – Understanding the Regulatory Environment in Singapore: What Every Director ought to know" course conducted by the Singapore Institute of Directors ("**SID**"). • Mrs. Jessie Ho had attended the "SID-ISCA Director Financial Reporting Essentials" course conducted by the SID; and • Mr. Anthony Wong had attended director courses namely, "Induction on Appointment as Director", "Framework for Market Misconduct and Case Study" and "Connected Transactions and Amendments to Connected Transactions" conducted by BM Professional Training Centre Limited.

Corporate Governance Report

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Board Composition and Guidance		
2.1 2.2 3.3	Does the Company comply with the guideline on the proportion of Independent Directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	In view that the Chairman is part of the management team and is not an independent director, Guideline 2.2 of the Code is met as the Independent Directors make up 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 Company Secretary.
2.3 4.3	Has the independence of the Independent Directors been reviewed in the last financial year?	The Independent Directors confirmed their independence in accordance with the Code. The NC has also reviewed and confirmed the independence of the Independent Directors in accordance with the Code during the NC and Board meetings held in February 2015.
	(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. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	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. Not applicable.

Corporate Governance Report

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>2.4</td><td>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.</td><td>There are no Directors who has served beyond nine years since the date of his/her first appointment.</td></tr>
<tr><td rowspan="2">2.6</td><td>(a) What is the Board's policy with regard to diversity in identifying director nominees?</td><td>The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender.</td></tr>
<tr><td>(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.</td><td>The current Board composition provides a diversity of skills, experience, gender and knowledge to the Company as follows:
<table>
<tr><th colspan="3">Table 2.6 – Balance and Diversity of the Board</th></tr>
<tr><th></th><th>Number of Directors</th><th>Proportion of Board</th></tr>
<tr><td>Core Competencies</td><td></td><td></td></tr>
<tr><td>– Accounting or finance</td><td>3</td><td>50%</td></tr>
<tr><td>– Business management</td><td>6</td><td>100%</td></tr>
<tr><td>– Legal or corporate governance</td><td>2</td><td>33%</td></tr>
<tr><td>– Relevant industry knowledge or experience</td><td>3</td><td>50%</td></tr>
<tr><td>– Strategic planning experience</td><td>6</td><td>100%</td></tr>
<tr><td>– Customer based experience or knowledge</td><td>2</td><td>33%</td></tr>
<tr><td>Gender</td><td></td><td></td></tr>
<tr><td>– Male</td><td>4</td><td>67%</td></tr>
<tr><td>– Female</td><td>2</td><td>33%</td></tr>
</table>
</td></tr>
</table>

Corporate Governance Report

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(c) What steps have the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?	The Board has taken the following steps to maintain or enhance its balance and diversity: • Annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and • Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board. The NC will consider the results of these exercises in its recommendation for the appointment of new directors and/or the re-appointment of incumbent directors.
2.8	Have the Non-Executive Directors met in the absence of key management personnel in the last financial year?	After the Company's admission to the Official List of the Catalist of the SGX-ST on 22 July 2014, the Non-Executive Independent Directors have met once in the absence of key management personnel in February 2015.
Chairman and Chief Executive Officer		
3.1	Are the duties between Chairman and CEO segregated?	The roles of the Chairman and CEO are separate to ensure a clear division of their responsibilities, increased accountability and greater capacity of the Board for independent decision making. The Chairman is not related to the CEO. The Chairman 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 in consultation with the CEO and ensures the quality, quantity and timeliness of the flow of information between the Board and key management personnel to facilitate efficient decision making. The CEO is 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.

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 Articles 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 CEO; (h) Review of 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 he/her/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; • Geographical location of Directors; • Size and composition of the Board; and • Nature and scope of the Group's operations and size.
	(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 affairs, and is satisfied that all Directors have discharged their duties adequately for FY2014.
4.5	Are there alternate Directors?	The Company does not have any alternate directors.

Corporate Governance Report

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>4.6</td><td>Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.</td><td>
<table>
<tr><th colspan="3">Table 4.6(a) – Process for the Selection and Appointment of New Directors</th></tr>
<tr><td>1.</td><td>Determination of selection criteria</td><td>• The NC, in consultation with the Board, would identify the current needs of the Board in terms of skills, experience, knowledge and gender to complement and strengthen the Board.</td></tr>
<tr><td>2.</td><td>Search for suitable candidates</td><td>• The NC would consider candidates proposed by the Directors, key management personnel or substantial shareholders, and may engage external search consultants where necessary.</td></tr>
<tr><td>3.</td><td>Assessment of shortlisted candidates</td><td>• The NC would meet and interview the shortlisted candidates to assess their suitability.</td></tr>
<tr><td>4.</td><td>Appointment of director</td><td>• The NC would recommend the selected candidate to the Board for consideration and approval.</td></tr>
</table>
<table>
<tr><th colspan="3">Table 4.6(b) – Process for the Re-election of Incumbent Directors</th></tr>
<tr><td>1.</td><td>Assessment of director</td><td>• The NC would assess the performance of the Director in accordance with the performance criteria set by the Board; and
• The NC would also consider the current needs of the Board.</td></tr>
<tr><td>2.</td><td>Re-appointment of director</td><td>• Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment 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 9 and 10 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>Present directorships held in other listed companies</th></tr>
<tr><td>Charles Spackman</td><td>20 June 2014</td><td>–</td><td>Spackman Equities Group Inc.</td></tr>
<tr><td>Tae Hun Lee</td><td>11 February 2014</td><td>–</td><td>Nil</td></tr>
<tr><td>Eugene Lee</td><td>20 June 2014</td><td>–</td><td>Nil</td></tr>
<tr><td>Jessie Ho</td><td>10 January 2014</td><td>–</td><td>Nil</td></tr>
<tr><td>Anthony Wong</td><td>20 June 2014</td><td>–</td><td>China Public Procurement Limited</td></tr>
<tr><td>Ng Hong Whee</td><td>20 June 2014</td><td>–</td><td>Communication Design International Limited

Sincap Group Limited</td></tr>
</table>

Mr. Charles Spackman, Mr. Tae Hun Lee and Ms. Eugene Lee will retire via rotation pursuant to the Article 97 of the Articles, 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 a member of the NC, Mr. Tae Hun Lee will remain as an Executive Director and CEO of the Company, while Ms. Eugene Lee will remain as an Executive Director and Chief Producer of the Company.

Pursuant to Article 97 of the Articles, Mrs. Jessie Ho, Mr. Anthony Wong and Mr. Ng Hong Whee, who were appointed by the Board in 2014, will also retire 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></td><td></td><td>The NC, with the respective member who is interested in the discussion having abstained from the deliberations, had recommended the above respective Directors for re-election at the forthcoming AGM.

Upon re-election as Director, Mrs. Jessie Ho will remain as the Lead Independent Director, the NC Chairman and a member of ARMC and RC. Mr. Anthony Wong upon re-election as a Director will remain as an Independent Director, the ARMC Chairman and a member of the RC and NC. Mr. Ng Hong Whee will, upon re-election remain as an Independent Director, the RC Chairman and a member of the ARMC. Mrs. Jessie Ho, Mr. Anthony Wong and Mr. Ng Hong Whee will be considered independent for the purposes of Rule 704(7) of the SGX-ST Listing Manual Section B: Rules of Catalist ("Catalist Rules").</td></tr>
<tr><td colspan="3">Board Performance</td></tr>
<tr><td>5.1
5.2
5.3</td><td>What is the performance criteria set to evaluate the effectiveness of the Board as a whole and its board committees, and for assessing the contribution by each Director to the effectiveness of the Board?</td><td>Table 5 sets out the performance criteria, as recommended by the NC and approved by the Board, to be relied upon to evaluate the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution by each Director to the effectiveness of the Board:

<table>
<tr><td colspan="3">Table 5</td></tr>
<tr><th>Performance Criteria</th><th>Board and Board Committees</th><th>Individual Directors</th></tr>
<tr><td>Qualitative</td><td>1. Size and composition
2. Access to information
3. Board processes
4. Strategic planning
5. Board accountability
6. Risk management
7. Succession planning</td><td>1. Commitment of time
2. Knowledge and abilities
3. Teamwork
4. Independence (if applicable)
5. Overall effectiveness</td></tr>
<tr><td>Quantitative</td><td>1. Return on equity
2. Performance of the Company's share price over a 3-year period vis-a-vis the FTSE Straits Times Index and a benchmark of the Company's industry peers</td><td>1. Attendance at Board and Board Committee meetings</td></tr>
</table>
</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 first review in February 2015 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. The Company Secretary collated and submitted the questionnaire results to the NC Chairman in the form of a report; and 3. The NC discussed the report and concluded the performance results during the NC meeting. All NC members have abstained from the voting or review process of any matters in connection with the assessment of his/her performance. No external facilitator was used in the evaluation process.
	(b) Has the Board met its performance objectives?	Yes, the Board has met its performance objectives.

Corporate Governance Report

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td colspan="3">Access to Information</td></tr>
<tr><td>6.1
10.3</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>
<table>
<tr><th colspan="3">Table 6 – Types of information provided by key management personnel to Independent Directors</th></tr>
<tr><td></td><td>Information</td><td>Frequency</td></tr>
<tr><td>1.</td><td>Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)</td><td>Quarterly, and when necessary</td></tr>
<tr><td>2.</td><td>Updates to the Group's operations and the markets in which the Group operates in</td><td>Quarterly</td></tr>
<tr><td>3.</td><td>Budgets and/or forecasts (with variance analysis)</td><td>Quarterly</td></tr>
<tr><td>4.</td><td>Management accounts</td><td>Monthly(1)</td></tr>
<tr><td>5.</td><td>Reports on on-going or planned corporate actions</td><td>Quarterly, and when necessary</td></tr>
<tr><td>6.</td><td>EA report(s) and Internal auditors' ("IA") report(s)</td><td>Annually</td></tr>
<tr><td>7.</td><td>Research report(s)</td><td>Quarterly</td></tr>
<tr><td>8.</td><td>Shareholding statistics</td><td>Quarterly</td></tr>
</table>
Note:
(1) The Management will provide the management accounts on a monthly basis or when available going forward.

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?	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 memorandum and the Articles, 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; • 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 meetings; • As secretary to all the other Board Committees, the Company Secretary assists to ensure coordination and liaison between the Board, the Board Committees and key management personnel; and • 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.

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 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) Administering 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 FY2014.
Disclosure on Remuneration		
9	What is the Company's remuneration policy?	The Company's remuneration policy is one that seeks to attract, retain and motivate talent to achieve the Company's business vision and create sustainable value for its stakeholders. The policy articulates to staff the link that total compensation has to the achievement of organisational and individual performance objectives, and benchmarked against relevant and comparative compensation in the market.
9.1 9.2	Has the Company disclosed each Director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	The breakdown for the remuneration of the Directors for FY2014 is as follows: (see Table 9.2 below)

Table 9.2 – Remuneration of Directors

Name	Remuneration band[1]	Salary (%)	Bonus (%)	Directors fees (%)	Benefits-in-kind (%)	Others[2] (%)	Total (%)
Charles Spackman	A	100	–	–	–	–	100
Tae Hun Lee	A	74	20	–	–	6	100
Eugene Lee	C	30	67	–	–	3	100
Jessie Ho	A	–	–	100	–	–	100
Anthony Wong	A	–	–	100	–	–	100
Ng Hong Whee	A	–	–	100	–	–	100

Notes:
(1) Remuneration bands:
"A" refers to remuneration of up to S$250,000 per annum.
"C" refers to remuneration from S$500,001 and S$750,000 per annum.
(2) Others refer to defined contribution benefits. Please refer to note 8 of the financial statements on page 78 of the annual report for further details.

No Directors received any stock options for FY2014.

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.

The aggregate post-employment benefits that were granted to certain Directors, CEO and the key management personnel (who are not Directors or the CEO) for FY2014 was US$29,333.

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>9.3</td><td>(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or more in detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?

(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).</td><td>The Company only has 4 top key management personnel in FY2014. The breakdown for the remuneration of the Company's top 4 key management personnel (who are not Directors or the CEO) for FY2014 is as follows:

Table 9.3 – Remuneration of Key Management Personnel
<table>
<tr><th>Name</th><th>Remuneration band[(1)]</th><th>Salary (%)</th><th>Bonus (%)</th><th>Benefits-in-kind (%)</th><th>Others[(2)] (%)</th><th>Total (%)</th></tr>
<tr><td>Kyoungwon Na</td><td>A</td><td>100</td><td>–</td><td>–</td><td>–</td><td>100</td></tr>
<tr><td>Richard Lee</td><td>A</td><td>100</td><td>–</td><td>–</td><td>–</td><td>100</td></tr>
<tr><td>Jung Hyun Lee</td><td>A</td><td>79</td><td>14</td><td>–</td><td>7</td><td>100</td></tr>
<tr><td>Eun Ja Kim</td><td>A</td><td>89</td><td>4</td><td>–</td><td>7</td><td>100</td></tr>
</table>
Notes:
(1) Remuneration band "A" refers to remuneration of up to S$250,000 per annum.
(2) Others refer to defined contribution benefits. Please refer to note 8 of the financial statements on page 78 of the annual report for further details.

No key management personnel received any stock options for FY2014.

The total remuneration paid to the top 4 key management personnel for FY2014 was US$370,109.</td></tr>
<tr><td>9.4</td><td>Is there any employee who is an immediate family member of a Director or the CEO, and whose remuneration exceeded S$50,000 during the last financial year? If so, please identify the employee and specify the relationship with the relevant Director or the CEO.</td><td>There was no employee of the Group who was an immediate family of a Director or the CEO whose remuneration exceeded S$50,000 in FY2014.</td></tr>
</table>

Corporate Governance Report

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
9.5	Please provide details of the employee share scheme(s).	The Company has adopted a share option scheme known as the "Spackman Entertainment Group Limited Employee Share Option Scheme" on 20 June 2014 ("**Scheme**"). The Scheme is designed to reward and retain employees whose services are vital to the Company's well-being and success. Factors which will be considered by the Administration Committee (as defined herein) in determining the number of options to be granted, and whether to give a discount and the quantum of the discount, include, *inter alia*, the performance of the Group and the performance of the participant concerned, the contribution of the participant to the success and development of the Group and the prevailing market conditions. For instance, where the Group needs to provide more compelling motivation for specific business units to improve their performance, grants of options will help to align the interests of employees with those of shareholders by encouraging them to focus more on improving the profitability and return of the Group above a certain level which will benefit all shareholders when these are eventually reflected through share price appreciation. The Scheme allows for participation by confirmed employees of the Group (including Executive Directors) and Non-Executive Directors (including Independent Directors) who have attained the age of 21 years on or prior to the date of grant of the option, provided that none of them is an undischarged bankrupt or have entered into a composition with his creditors. Controlling shareholders and their associates who meet the eligibility criteria above shall be eligible to participate in the Scheme, provided that (a) the participation of, and (b) the terms of any options to be granted and the actual number of options to be granted under the Scheme, to a participant who is a controlling shareholder or an associate of a controlling shareholder shall be approved by the independent shareholders in separate resolutions for each such person. The Company will at such time provide the rationale and justification for any proposal to grant the controlling shareholder or his associate any options (including the rationale for any discount to the market price, if so proposed). The Scheme is administered by the RC ("**Administration Committee**"). The total number of new shares over which options may be granted pursuant to the Scheme, when added to the number of shares issued and issuable in respect of all options granted under the Scheme and any other share-based incentive schemes of the Company), shall not exceed 15% of the number of issued shares of the Company (including treasury shares), on the day immediately preceding the date of the relevant grant of the option. Since the commencement of the Scheme up to the date of this report, no options have been granted under the Scheme. Further details on the Scheme were set out in the Company's Offer Document dated 11 July 2014.

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">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 FY2014. 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>(b) What were the performance conditions used to determine their entitlement under the short term and long term incentive schemes?</td><td>The following performance conditions were chosen for the Group to remain competitive and to motivate the Executive Directors and key management personnel to work in alignment with the goals of all stakeholders:

<table>
<tr><th colspan="3">Table 9.6(b)</th></tr>
<tr><th>Performance Conditions</th><th>Short-term Incentives (such as performance bonus)</th><th>Long-term Incentives (such as the Scheme)</th></tr>
<tr><td>Qualitative</td><td>1. Leadership
2. People development
3. Commitment
4. Teamwork
5. Current market and industry practices</td><td>1. Current market and industry practices</td></tr>
<tr><td>Quantitative</td><td>1. Return on equity
2. Relative financial performance of the Group to its industry peers for that particular financial year under assessment</td><td>1. Relative financial performance of the Group to its industry peers over a 3-year period
2 Improvement in the Company’s share price over a 3-year period vis-à-vis the FTSE Straits Times Index</td></tr>
</table></td></tr>
<tr><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 FY2014, the quantitative performance conditions have not been met. Save for the aforementioned, the remaining performance 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 FY2014. The bases for the Board's view are as follows: 1. Assurance has been received from the CEO, CFO and IA (refer to Section 11.3(b) below); 2. An internal audit has been done by the IA and significant matters highlighted to the AC 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 the CEO and CFO in respect of FY2014. The Board has relied on the independent auditors' report as set out in this Annual Report as assurance that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances. The Board has additionally relied on the IA reports in respect of our indirect wholly-owned subsidiaries, namely, Opus Pictures Limited Liability Company, Zip Cinema Co., Ltd. and Spackman Entertainment Korea Inc., which were issued to the Company in April and December 2014 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 Committee		
12.1 12.4	What is the role of the ARMC?	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; (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;

Corporate Governance Report

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		(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; (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.

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>Has the ARMC met with the auditors in the absence of key management personnel?</td><td>Yes, the ARMC has met with the IA and the EA once in the absence of key management personnel in February 2015.</td></tr>
<tr><td>12.6</td><td>Has the ARMC reviewed the independence of the EA?</td><td>The ARMC has reviewed the non-audit services provided by the EA and is satisfied that the nature and extent of such services would not prejudice the independence of the EA, and has recommended the re-appointment of the EA at the forthcoming AGM.</td></tr>
<tr><td></td><td>(a) Please provide a breakdown of the fees paid in total to the EA for audit and non-audit services for the financial year.</td><td>
<table>
<tr><th colspan="3">Table 12.6(a) – Fees Paid/Payable to the EA for FY2014</th></tr>
<tr><th></th><th>S$</th><th>% of total</th></tr>
<tr><td>Audit fees</td><td>162,765</td><td>38.9%</td></tr>
<tr><td>Reporting accountants fee in relation to the IPO[(1)]</td><td>245,000</td><td>58.6%</td></tr>
<tr><td>Non-audit fees
– Tax advice</td><td>10,197</td><td>2.5%</td></tr>
<tr><td>Total</td><td>417,962</td><td>100.0%</td></tr>
</table>
Note:
(1) The reporting accountants fee paid to the EA during FY2014 relates to their services provided as reporting accountants for the IPO exercise during the year.
</td></tr>
<tr><td></td><td>(b) If the EA have supplied a substantial volume of non-audit services to the Company, please state the bases for the ARMC's view on the independence of the EA.</td><td>The non-audit services rendered during FY2014 were not substantial.</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 member of ARMC.</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?	In FY2014, the ARMC attended director courses conducted by the SID and 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 Nexia TS Risk Advisory Pte Ltd ("**Nexia**") who reports directly to the ARMC Chairman and administratively to the CEO and CFO. The ARMC reviews and approves the internal audit plan to ensure the adequacy of the scope of audit. The ARMC is satisfied that Nexia is adequately qualified (given, *inter alia*, its adherence to standards set by internationally recognised professional bodies) and resourced, and has the appropriate standing in the Company to discharge its duties effectively.
SHAREHOLDER RIGHTS AND RESPONSIBILITIES		
Communication with Shareholders		
15.2 15.3 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?	The Company solicits feedback from and addresses the concerns of shareholders via the following: • a dedicated external investor relations team 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 and investor roadshows in FY2014 to meet with its institutional investors.
	(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	Yes, the Company has a dedicated external investor relations team.

Corporate Governance Report

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(b) 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 paying dividends for the financial year? If not, please explain why.	The Board has not declared or recommended any dividend for FY2014, as the Company was not profitable for FY2014.
CONDUCT OF SHAREHOLDER MEETINGS		
16.1 16.3 16.4 16.5	How are the general meetings of shareholders conducted?	The Company's Articles allow for abstentia voting. The Company requires all Directors (including the respective chairman 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 poll, and their detailed results will be announced via SGXNET after the conclusion of the general meeting. All minutes of general meetings will be made available to shareholders upon request.

Corporate Governance Report

COMPLIANCE WITH APPLICABLE CATALIST RULES		
Catalist Rule	**Rule Description**	**Company's Compliance or Explanation**
712, 715 or 716	Appointment of Auditors	The Company confirms its compliance to the Catalist Rules 712 and 715.
1204(8)	Material Contracts	There were no material contracts entered into by the Group involving the interest of the CEO, any Director, or controlling shareholder, which are either still subsisting at the end of FY2014 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 and compliance risks based on the following: • internal controls established by the Company; • work performed by the IA and EA; • assurance from the 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.
1204(17)	Interested Persons Transaction ("**IPT**")	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. There were no IPTs with value more than S$100,000 transacted during FY2014. The Company does not have a general mandate for IPTs.

Corporate Governance Report

COMPLIANCE WITH APPLICABLE CATALIST RULES		
Catalist Rule	**Rule Description**	**Company's Compliance or Explanation**
1204(19)	Dealing in Securities	The Company has adopted an internal policy which prohibits the Directors and officers from dealings in the securities of the Company while in possession of price-sensitive information. The Company, its Directors and officers are also discouraged from dealing in the Company's securities on short term considerations and are prohibited from dealing in the Company's securities during the period beginning two weeks before the announcement of the Company's quarterly financial statements and one month before the announcement of the Company's full-year financial statements, and ending on the date of the announcement of the relevant results.
1204(21)	Non-sponsor fees	For FY2014, the Company paid to its sponsor, PrimePartners Corporate Finance Pte. Ltd., non-sponsor fees of S$1,015,000 as advisory fees and placement commission relating to the Company's IPO.
1204(22)	Use of IPO Proceeds	The Company refers to the gross proceeds amounting to S$13.00 million raised from the IPO on the Catalist Board of the SGX-ST on 22 July 2014. As announced on 9 January 2015, the Company had reallocated S$2.0 million of the net proceeds from the IPO initially allocated for the investment into films produced by the Group or third parties to fund the cash consideration of S$1.35 million for the acquisition of a 51% equity interest in Novus Mediacorp. Co., Ltd. as well as to fund the expansion of the Group's operations via acquisitions, joint ventures and investments as and when such opportunities arises.

Corporate Governance Report

COMPLIANCE WITH APPLICABLE CATALIST RULES		
Catalist Rule	**Rule Description**	**Company's Compliance or Explanation**
		Pursuant to the re-allocation, the status on the use of IPO proceeds in Singapore dollars as at the date of this report is as follows:

Use of IPO Proceeds

	Amount allocated after the reallocation (S$'000)	Amount utilised (S$'000)	Balance (S$'000)
Investment into films produced by the Group or third parties	3,500	1,200	2,300
Expansion of the Group's operations via acquisitions, joint ventures and investments	4,000	3,370	630
Establishment of overseas offices	1,000	–	1,000
General working capital	2,337	1,866[1]	471
IPO expenditure	2,163	2,163	–
Total	**13,000**	**8,599**	**4,401**

Note:

(1) The Company has reallocated S$336,552 allocated for general working capital for the payment of IPO related expenses. The remaining S$1,529,940 has been utilised for payment to suppliers (S$1,077,082), payment of salary (S$209,134), professional service fees (S$162,225) and others (S$81,499).

The Company will continue to make periodic announcements on the use of the remaining net proceeds as and when the funds are materially disbursed, and will provide a status report on the use of the net proceeds in the Company's annual report and the interim and full-year financial statements.

Financial Contents

Directors' Report

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Spackman Entertainment Group Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2014 and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2014.

1 Directors

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

Charles Choi Spackman ("**Charles Spackman**")
Tae Hun Lee
Yoo Jin Lee ("**Eugene Lee**")
Thong Yuen Siew Jessie ("**Jessie Ho**")
Anthony Wei Kit Wong ("**Anthony Wong**")
Ng Hong Whee

2 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.

3 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 or debentures of the Company and/related companies as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act (the "Act"), except as follows:

	Number of ordinary shares Shareholdings registered in the name of directors	
Name of directors	**At 10.1.2014**	**At 31.12.2014**
Tae Hun Lee	–	28,360,000
Eugene Lee	–	23,160,000
Jessie Ho	1	–

4 Directors' contractual benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit other than those disclosed in the consolidated financial statements and this report by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest. Certain directors have received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

Directors' Report

(cont'd)

5 Share options

The Company does not have any share option scheme or share scheme.

No option to take up unissued shares of the Company or its subsidiaries 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 subsidiaries whether granted before or during the financial year.

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

6 Audit committee

The Audit Committee comprises three members, who are all independent directors. The members of the Audit Committee for the financial year are:

Anthony Wong (Chairman)
Jessie Ho
Ng Hong Whee

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Companies Act and performed the following functions:

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

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

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

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

Directors' Report

(cont'd)

6 Audit committee (cont'd)

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

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

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

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

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

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

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

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

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

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

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

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

Directors' Report

(cont'd)

6 Audit committee (cont'd)

(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.

7 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

Tae Hun Lee
Director

23 March 2015

Statement by Directors

In the opinion of the directors:

(i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 50 to 104 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and of the results, 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 Singapore Companies Act and Singapore Financial Reporting Standards; and

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

On behalf of the Directors

Charles Spackman
Director

Tae Hun Lee
Director

23 March 2015

Independent Auditor's Report

TO THE MEMBERS OF SPACKMAN ENTERTAINMENT GROUP LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Spackman Entertainment Group Limited (the "Company") and its subsidiaries (collectively the "Group") as set out on pages 50 to 104, which comprise the statements of financial position of the Group and the Company as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

Independent Auditor's Report

TO THE MEMBERS OF SPACKMAN ENTERTAINMENT GROUP LIMITED

(cont'd)

Report on Other Legal and Regulatory Requirements

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

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

23 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 USD	2013 USD
Revenue	4	**16,059,566**	11,892,332
Cost of sales		**(15,552,957)**	(6,350,358)
Gross profit		**506,609**	5,541,974
Other income	5	**505,922**	462,330
Selling expenses		**(670,097)**	(345,257)
General and administrative expenses		**(7,756,353)**	(2,282,895)
Finance costs	6	**(104,933)**	(136,588)
(Loss)/profit before tax	7	**(7,518,852)**	3,239,564
Tax expense	9	**(561,842)**	(633,087)
(Loss)/profit for the year		**(8,080,694)**	2,606,477
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation		**(258,949)**	188,223
(Loss)/profit and total comprehensive (loss)/income for the year		**(8,339,643)**	2,794,700
(Loss)/profit for the year attributable to:			
Equity holders of the Company		**(7,980,783)**	2,684,428
Non-controlling interests		**(99,911)**	(77,951)
		(8,080,694)	2,606,477
(Loss)/profit and total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(8,238,166)**	2,871,783
Non-controlling interests		**(101,477)**	(77,083)
		(8,339,643)	2,794,700
(Loss)/earnings per share for (loss)/profit for the year attributable to equity holders of the Company			
Basic and diluted (cents)	10	**(2.02)**	0.78

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

Statements of Financial Position

AS AT 31 DECEMBER 2014

	Note	Group 2014 USD	Group 2013 USD	Company 2014 USD
Non-current assets				
Property, plant and equipment	11	**903,037**	705,677	**599**
Intangible assets	12	**3,517,653**	111,998	**–**
Film production inventories	13	**1,682,680**	2,561,314	**–**
Deferred tax assets	14	**335,543**	887,896	**–**
Loan to a related party	15	**–**	2,001,458	**–**
Long-term loan to a subsidiary	16	**–**	–	**1,900,000**
Investment in subsidiaries	17	**–**	–	**14,635,097**
Total non-current assets		**6,438,913**	6,268,343	**16,535,696**
Current assets				
Investments	18	**3,490,303**	2,309,027	**243,652**
Trade and other receivables	19	**8,497,456**	2,674,683	**1,241,186**
Cash and cash equivalents	20	**12,176,169**	9,214,152	**4,471,821**
Film production inventories	13	**1,428,014**	5,371,608	**–**
Inventories		**8,337**	1,946	**–**
Total current assets		**25,600,279**	19,571,416	**5,956,659**
Total assets		**32,039,192**	25,839,759	**22,492,355**
Non-current liabilities				
Other non-current liabilities		**1,820**	6,573	**–**
Convertible bonds	21	**–**	1,300,804	**–**
Deferred tax liabilities	14	**115,456**	115,456	**–**
Total non-current liabilities		**117,276**	1,422,833	**–**
Current liabilities				
Trade and other payables	22	**6,285,007**	2,218,730	**249,640**
Deferred revenue	23	**2,875,252**	2,364,253	**–**
Borrowings	24	**1,237,264**	1,260,305	**–**
Tax payables		**–**	1,224,546	**–**
Film obligations and production loans	25	**4,100,276**	8,357,621	**–**
Total current liabilities		**14,497,799**	15,425,455	**249,640**
Total liabilities		**14,615,075**	16,848,288	**249,640**
Net assets		**17,424,117**	8,991,471	**22,242,715**
Share capital and reserves				
Share capital	26	**24,427,906**	1,790	**24,427,906**
Other reserves	27	**(2,714,583)**	6,497,672	**–**
(Accumulated losses)/retained earnings		**(5,533,385)**	2,448,009	**(2,185,191)**
Equity attributable to equity holders of the Company, total		**16,179,938**	8,947,471	**22,242,715**
Non-controlling interests		**1,244,179**	44,000	**–**
Total equity		**17,424,117**	8,991,471	**22,242,715**

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

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Group	Share capital USD	Other reserve USD	(Accumulated losses)/retained earning USD	Total USD	Non-controlling interests USD	Total equity USD
Balance at 1 January 2014	1,790	6,497,672	2,448,009	8,947,471	44,000	8,991,471
Profit for the year	–	–	(7,980,783)	(7,980,783)	(99,911)	(8,080,694)
Other comprehensive loss						
Currency translation differences on consolidation	–	(257,383)	–	(257,383)	(1,566)	(258,949)
Loss and total comprehensive loss for the year	–	(257,383)	(7,980,783)	(8,238,166)	(101,477)	(8,339,643)
Transaction with equity holders of the Company						
Issue of ordinary share upon incorporation	1	–	–	1	–	1
Transition to no-par-value regime in Hong Kong (note 27)	6,657,822	(6,657,822)	–	–	–	–
Issue of ordinary shares pursuant to restructuring exercise	7,884,229	(2,297,050)	(611)	5,586,568	1,301,656	6,888,224
Issue of ordinary shares pursuant to initial public offering	9,884,064	–	–	9,884,064	–	9,884,064
Balance at 31 December 2014	**24,427,906**	**(2,714,583)**	**(5,533,385)**	**16,179,938**	**1,244,179**	**17,424,117**
Balance at 1 January 2013	1,300	4,137,611	(306,956)	3,831,955	55,807	3,887,762
Profit for the year	–	–	2,684,428	2,684,428	(77,951)	2,606,477
Other comprehensive income/(loss)						
Currency translation differences on consolidation	–	187,355	–	187,355	868	188,223
Profit/(loss) and total comprehensive income/(loss) for the year	–	187,355	2,684,428	2,871,783	(77,083)	2,794,700
Transaction with equity holders of the Company						
Issue of ordinary shares	490	3,739,510	–	3,740,000	–	3,740,000
Issue of convertible bonds	–	107,378	–	107,378	–	107,378
Acquisition under common control	–	(1,674,182)	70,537	(1,603,645)	65,276	(1,538,369)
Balance at 31 December 2013	**1,790**	**6,497,672**	**2,448,009**	**8,947,471**	**44,000**	**8,991,471**

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

Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Share capital USD	Accumulated losses USD	Total equity USD
Company			
At date of incorporation	1	–	1
Loss and total comprehensive loss for the year	–	(2,185,191)	(2,185,191)
Issuance of ordinary shares pursuant to restructuring exercise	14,543,841	–	14,543,841
Issue of ordinary shares through initial public offering	9,884,064	–	9,884,064
Balance at 31 December 2014	**24,427,906**	**(2,185,191)**	**22,242,715**

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

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 USD	2013 USD
Cash flows from operating activities			
(Loss)/profit before tax		**(7,518,852)**	3,239,564
Adjustments for:			
Depreciation of property, plant and equipment	11	**89,384**	72,176
Interest income		**(221,901)**	(237,383)
Interest expense		**104,933**	136,588
Impairment loss on film production inventories	13	**1,454,881**	107,782
Amortisation of intangible assets	12	**7,596**	4,532
Goodwill written off		**–**	111,826
Reversal of impairment loss on investment in theatrical film projects		**–**	(7,840)
Fair value loss/(gain) on investment in insurance products		**1,775**	(1,907)
Fair value gain on investment in mutual funds		**(7,492)**	(11,216)
Loss/(gain) on disposal of property, plant and equipment		**43,333**	(807)
Written-off of acquired library		**62,269**	–
Waiver of debts by a related party		**–**	(113,044)
Operating (loss)/profit before working capital changes		**(5,984,074)**	3,300,271
Change in operating assets and liabilities, net of effects from acquisition of subsidiaries:			
Investment in theatrical film projects, net		**(574,125)**	60,709
Inventories		**(6,391)**	(1,267)
Film production inventories		**3,378,752**	(2,758,026)
Receivables		**(2,831,645)**	(1,419,455)
Payables		**893,642**	3,031,777
Film obligations and production loans		**(4,257,345)**	2,203,158
Currency translation adjustments		**222,432**	48,185
Cash (used in)/generated from operations		**(9,158,754)**	4,465,352
Interest paid		**(70,115)**	(136,588)
Interest received		**221,901**	237,383
Income tax paid		**(1,234,035)**	(429,820)
Net cash (used in)/generated from operating activities		**(10,241,003)**	4,136,327
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**21,191**	20,616
Refund from land acquisition		**–**	74,960
Purchases of property, plant and equipment	11	**(305,720)**	(43,464)
Purchases of intangible assets	12	**(949)**	(53,636)
Acquisition of a subsidiary	17	**(390,365)**	(128,616)
Reorganisation of subsidiaries under common control		**–**	(1,442,528)
Incorporation of a subsidiary		**59,763**	–
Investment in insurance products		**(56,114)**	(53,971)
Investment in short term investments		**(2,115)**	(2,054,719)
Net cash used in investing activities		**(674,309)**	(3,681,358)

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

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

(cont'd)

	Note	2014 USD	2013 USD
Cash flows from financing activities			
Issue of convertible loan		–	1,408,182
Repayment of borrowings		**(1,262,794)**	(486,493)
Additional borrowings		**1,291,270**	730,567
Issue of ordinary shares		**14,135,630**	3,740,000
Net cash generated from financing activities		**14,164,106**	5,392,256
Net increase in cash and cash equivalents		**3,248,794**	5,847,225
Cash and cash equivalent at beginning of the financial year		**9,214,152**	3,317,554
Effect of exchange rate changes		**(286,777)**	49,373
Cash and cash equivalents at end of the financial year		**12,176,169**	9,214,152
Cash and cash equivalents comprise:			
Cash and bank balances		**11,218,541**	4,038,530
Money market funds		**957,628**	5,175,622
		12,176,169	9,214,152

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

1 CORPORATE INFORMATION

Spackman Entertainment Group Pte. Ltd. (the "Company") (Co. Reg. No. 201401201N) was incorporated in Singapore on 10 January 2014 for the purpose of acquiring the existing companies pursuant to the restructuring exercise mentioned in note 2 below. On 24 June 2014, the Company was converted into a public company limited by shares and changed its name to Spackman Entertainment Group Limited.

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

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

2 THE RESTRUCTURING EXERCISE

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

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

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

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

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

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

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2 THE RESTRUCTURING EXERCISE (CONT'D)

(d) Acquisition of SEG HK by the Company

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

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

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

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

The areas involving a higher degree of judgment in applying accounting policies, or areas where assumptions and estimates have a significant risk resulting in material adjustment within the next financial year, are disclosed in note 3(x) to the financial statements.

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables and film obligations and production loans, 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. The adoption of these new and revised FRS and INT FRS did not have any material effect on the financial statements, except as disclosed below:

FRS 112 *Disclosures of Interests in Other Entities*

The Group adopted FRS 112 on 1 January 2014. The amendment is applicable for annual periods beginning on or after 1 January 2014. It sets out the required disclosures for entities reporting under the new FRS 110 *Consolidated Financial Statements* and FRS 111 *Joint Arrangements*, and replaces the disclosure requirements previously found in FRS 27 (revised 2011) *Separate Financial Statements* and FRS 28 (revised 2011) *Investments in Associates and Joint Ventures*.

The Group has incorporated the additional required disclosures of FRS 112 into the financial statements.

FRS 110 *Consolidated Financial Statements*

As a result of FRS 110 *Consolidated Financial Statements*, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. FRS 110 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

New standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for the financial year ended 31 December 2014 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company except as disclosed below:

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

FRS 109 *Financial Instruments*

FRS 109 includes guidance on the classification and measurement of financial assets and financial liabilities and de-recognition of financial instruments. FRS 109, when effective will replace FRS 39 *Financial Instruments: Recognition and Measurement*. This standard is effective for annual periods beginning on or after 1 January 2018. The Group will review the requirements of FRS 109 and re-assess the classification and measurement of its financial assets and financial liabilities in accordance with this standard.

(b) Basis of consolidation

Pooling of interest

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

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

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

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of consolidation (cont'd)

Acquisition method

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

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

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 3(d). 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, unless the obligations of the non-controlling interests are restricted to their capital contributed. As such, losses applicable to the non-controlling interest in excess of the non-controlling interest in the subsidiaries' equity are attributed to the Group.

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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of consolidation (cont'd)

Acquisition method (cont'd)

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

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

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

(c) Subsidiaries

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

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

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Revenue recognition

Revenue comprise the fair value of the consideration received or receivable for the rendering of services, 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:

Revenues from distribution, presentation and investment in films

The Group recognises revenues from distribution, presentation and investment in films when the films are exhibited in movie theatres. After the payments by the movie theatres of taxes and other charges and deductions by movie theatres and theatre circuits of their respective share of the box office sales, the remaining amount (the "Distributable Amount") is remitted to the Group which the Group accounts for as its revenues from other film related activities.

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, where the Group is entitled to receive a certain percentage of the net profit of the film. The Group recognised the profits based on its portion of share.

The Group records its share of profits of the film based on a report from the main presenter of the film.

Production of films revenue

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

Licensing revenue

The Group as the licensor, recognises revenue from licensing arrangements when the associated motion film or the television special/series has been released.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Revenue recognition (cont'd)

Licensing revenue (cont'd)

Related minimum guarantees are generally recognised as revenue upon the theatrical release of a film and royalty-based revenues (revenues based upon a percentage of net sales of the products) are generally recognised as revenue in periods when royalties are accrued.

Minimum guarantees received for selling distribution rights of movies under production or unreleased films are recorded as deferred revenue.

Other income

Other income include interest earned on invested funds and gains on disposal on available-for-sales financial assets. Any such transactions are recorded on the trade date.

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.

Consultancy service income is recognised after the services have been rendered.

(f) 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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Depreciation is calculated on a straight line basis to write off the cost of the property, plant and equipment over their estimated useful lives. The estimated useful lives are as follows:

	Years
Equipment	5
Motor vehicles	5
Leasehold improvements	5

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

(g) Intangible assets

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

Brand name is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of brand name.

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised using the straight-line method over their estimated useful lives of 5 years.

(h) Film production inventories

Film production inventories include capitalised costs such as production costs, production overhead and development costs incurred or acquired. Once the film is released, capitalised film production inventories are charged to cost of sales.

Film production inventories are reviewed for impairment at each reporting date on a title-by-title basis and are stated at cost less accumulated impairment at the balance sheet date.

(i) Impairment of non-financial assets excluding goodwill

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

(j) Leases

When the Group entity is the lessee:

Finance leases

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Leases (cont'd)

Operating leases

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

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

When a Group entity is the lessor:

Operating leases

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

(k) Income taxes

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

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 reporting date, and any adjustment to tax payable or recoverable in respect of previous years.

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

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

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Income taxes (cont'd)

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

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

(l) 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 and loans and receivables.

Financial assets, at fair value through profit or loss

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

Recognition and derecognition

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Financial assets (cont'd)

Recognition and derecognition (cont'd)

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

Initial measurement

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

Subsequent measurement

Financial assets, at fair value through profit or loss are subsequently carried at fair value. 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 reporting 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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Financial assets (cont'd)

Impairment (cont'd)

Loans and receivables (cont'd)

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.

(m) Cash and cash equivalents

For the purposes of presentation in the 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 excludes pledged deposits.

(n) Financial liabilities

Financial liabilities include trade and other payables, convertible bonds and bank borrowings. Financial liabilities are recognised on the statements of financial position 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.

(o) Convertible bonds

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Convertible bonds (cont'd)

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible bond equity reserve until either the bond is converted or redeemed, and net of any tax effects.

If the bond is converted, the convertible bond equity reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the convertible bond equity reserve is released directly to accumulated losses.

(p) 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 reporting date, and are discounted to present value where the effect is material.

(q) 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.

(r) 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.

(s) Employee benefits

Defined contribution plans

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Employee benefits (cont'd)

Employee leave entitlement

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 reporting date.

(t) Functional and foreign currencies

Functional and presentation currency

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

Transactions and balances

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

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

Translation of Group entities' financial statements

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

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

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

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Functional and foreign currencies (cont'd)

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

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

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

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

(u) Government grants

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

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

(v) 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.

(w) Related parties

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(x) Critical accounting judgments and key source of estimation uncertainty

Critical judgments in applying the entity's accounting policies

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

Functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgment is required by management to determine the primary economic environment in which the entities operate, the entities' process of determining sales prices and the currency of the country whose competitive forces and regulations mainly influences the prices of its goods and services. Management has assessed that prices are mainly denominated and settled in the respective local currency of the entities of the Group. In addition, most of the entities' cost base is mainly denominated in their respective local currency. Therefore, management concluded that the functional currency of the entities of the Group is their respective local currency.

Key sources of estimation uncertainty

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

Property, plant and equipment

The Group reviews the useful lives and the residual value of the property, plant and equipment at each reporting date in accordance with the accounting period in note 3(f).

The estimation of the useful lives and residual amount involves assumptions concerning the future and estimations of the assets common lift expectancies and expected level of usage. The net carrying amount of property, plant and equipment at 31 December 2014 and the annual depreciation change for the financial year ended 31 December 2014 are disclosed in note 11.

Any changes in the expected useful lives of these assets would affect the net carrying amount of property, plant and equipment and the depreciation charge for the financial year.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Key sources of estimation uncertainty (cont'd)

Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, the amount and timing of future taxable income and deductibility of certain expenditure. Accordingly, there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on reasonable estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's tax payables and deferred tax liabilities at the end of reporting period was USDNil (2013: USD1,224,546) and USD115,456 (2013: USD115,456) and deferred tax assets amounted to USD335,543 (2013: USD887,896).

Impairment of loans and receivables

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

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

Production of motion films

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

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Key source of estimation uncertainty (cont'd)

Production of motion films (cont'd)

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

Impairment of film production inventories

The Group assesses at each reporting date whether there is indication that the film production inventories may be impaired. In evaluating whether there is objective evidence of impairment, the Group considers factors such as the probability that the film will not be produced or that the future cash flows will be less than expected. Where the actual future cash flows are less than expected, a material impairment loss may arise. Impairment loss of film production inventories recognised in the profit or loss was USD1,454,881 (2013: USD107,782). The carrying amount of the film production inventories as at the end of the reporting period was USD3,110,694 (2013: USD7,932,922).

4 REVENUE

	Group	
	2014	**2013**
	USD	**USD**
Revenue from production of films	**13,152,087**	5,172,822
Revenue from other film related activities	**2,574,232**	6,184,701
Others	**333,247**	534,809
	16,059,566	11,892,332

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

5 OTHER INCOME

	Group 2014 USD	Group 2013 USD
Interest income		
– Convertible bonds	**112,000**	–
– Related party	**27,665**	174,420
– Director	**6,181**	9,140
– Money market funds	**28,644**	40,587
– Others	**47,411**	13,236
	221,901	237,383
Foreign exchange gain	–	19,831
Gain on disposal of property, plant and equipment	–	807
Fair value gain on investment in mutual funds	**7,492**	11,216
Fair value gain on investment in insurance products	–	1,907
Rental income		
– Related party	**1,662**	7,671
– Third parties	**45,148**	38,355
Government grants	**48,169**	–
Reimbursement of film festival expenses	**30,018**	–
Commission	**47,499**	–
Waiver of debts by a related party	–	113,044
Others	**104,033**	32,116
	505,922	462,330

6 FINANCE COSTS

	Group 2014 USD	Group 2013 USD
Interest expenses		
– Bank loans	**60,115**	57,648
– Holding company	–	43,562
– Directors	–	138
– Convertible bonds	**44,818**	29,015
– Other	–	6,225
	104,933	136,588

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

7 PROFIT BEFORE TAX

	Group	
	2014 USD	2013 USD
Profit before tax is arrived at after:		
Allowance for doubtful receivables (note 29(b))	**642,620**	1,731
Amortisation of intangible assets (note 12)	**7,596**	4,532
Audit fee paid/payable to		
– Auditor of the Company	**38,005**	–
– Other auditors of the Group	**83,244**	7,093
Depreciation of property, plant and equipment (note 11)	**89,384**	72,176
Goodwill written-off	**–**	111,826
Impairment loss on film production inventories (note 13)	**1,454,881**	107,782
Initial public offering expenses*	**1,331,855**	–
Loss on disposal of property, plant and equipment	**43,333**	–
Personnel expenses (note 8)	**2,238,727**	1,497,417
Recovery of doubtful receivables	**–**	(128,616)
Reversal of allowance of doubtful receivables (note 29(b))	**(679)**	(4,226)
Rental expense	**637,609**	405,008
Reversal of impairment loss on investment in theatrical film projects	**–**	(7,840)
Travelling expenses	**274,449**	112,398
Written-off of investments	**37,343**	–
Written-off of bad debts	**7,147**	–

* Included in this expenses an amount of USD274,164 (2013: USDNil) paid to auditor of the Company in respect of professional services rendered as independent reporting auditor.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

8 PERSONNEL EXPENSES

	Group	
	2014 USD	2013 USD
Directors		
– Salaries, bonus and other benefits	**755,840**	577,625
– Defined contribution benefits	**21,933**	18,355
Directors of the subsidiaries		
– Salaries, bonus and other benefits	**35,420**	45,140
– Defined contribution benefits	**2,793**	–
Key management personnel		
– Salaries and bonus	**362,709**	–
– Defined contribution benefits	**7,400**	–
Other personnel		
– Salaries and bonus	**751,065**	657,989
– Defined contribution benefits	**55,637**	39,570
– Other short-term benefits	**245,930**	158,738
	2,238,727	1,497,417

9 TAX EXPENSE

	Group	
	2014 USD	2013 USD
Tax expense attributable to profits is made up of:		
Current income tax provision	**22,385**	1,382,900
Deferred tax (note 14)	**539,457**	(749,813)
	561,842	633,087

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

9 TAX EXPENSE (CONT'D)

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

	USD	USD
(Loss)/profit before tax	**(7,518,852)**	3,239,564
Tax at domestic rates applicable to (loss)/profit in countries where the Group operate	**(1,550,345)**	674,065
Expenses not deductible for tax purposes	**387,719**	226,623
Income not subject to tax	**(1,199)**	(20,912)
Deferred tax assets not recognised for the year	**1,736,431**	–
Others	**(10,764)**	(246,689)
	561,842	633,087

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

The statutory income tax rate applicable to the Company is 17%.

Pursuant to the relevant laws and regulations in Korea, the major subsidiaries of the Group which were incorporated in Korea are required to pay Korea corporate income tax at a rate of 22% (2013: 22%).

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

10 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share are calculated by dividing the Group's net (loss)/profit attributable to equity holders of the Company by the aggregate number of pre-invitation ordinary shares of no par value.

The following reflects the (loss)/profit attributable to the equity holders of the Company used in the (loss)/earnings per share computation:

	Group	
	2014 USD	2013 USD
(Loss)/profit attributable to equity holders of the Company	**(7,980,783)**	2,684,428
Aggregate number of post-invitation (2013: pre-invitation) ordinary shares (note 26)	**395,310,000**	344,540,000
(Loss)/earnings per share (cents) – Basic and diluted	**(2.02)**	0.78

11 PROPERTY, PLANT AND EQUIPMENT

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

11 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Land USD	Equipment USD	Motor vehicles USD	Leasehold improvements USD	Construction in progress USD	Total USD
2013						
Cost						
At 1.1.2013	–	50,484	23,035	388,276	–	461,795
Additions	423,519	10,976	32,488	–	–	466,983
Disposals	–	–	(20,492)	–	–	(20,492)
Currency translation differences	15,949	2,327	1,020	6,962	–	26,258
At 31.12.2013	439,468	63,787	36,051	395,238	–	934,544
Accumulated depreciation						
At 1.1.2013	–	20,354	3,608	125,068	–	149,030
Depreciation charge	–	7,718	7,083	57,375	–	72,176
Disposals	–	–	(683)	–	–	(683)
Currency translation differences	–	2,164	997	5,183	–	8,344
At 31.12.2013	–	30,236	11,005	187,626	–	228,867
Net carrying value						
At 31.12.2013	439,468	33,551	25,046	207,612	–	705,677

Company	Equipment USD
2014	
Cost	
At date of incorporation	–
Additions	620
At 31.12.2014	**620**
Accumulated depreciation	
At date of incorporation	–
Depreciation charge	21
At 31.12.2014	**21**
Net carrying value	
At 31.12.2014	**599**

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

12 INTANGIBLE ASSETS

	Acquired libraries USD	Software USD	Goodwill USD	Brand name USD	Other USD	Total USD
Group						
2014						
Cost						
At 1.1.2014	82,064	4,834	–	–	32,788	119,686
Acquisition of a subsidiary	–	–	–	2,680,110	–	2,680,110
Additions	–	949	793,815	–	–	794,764
Written-off	(62,269)	–	–	–	–	(62,269)
Currency translation differences	(673)	(567)	–	–	1,507	267
At 31.12.2014	**19,122**	**5,216**	**793,815**	**2,680,110**	**34,295**	**3,532,558**
Accumulated amortisation						
At 1.1.2014	–	4,409	–	–	3,279	7,688
Amortisation charge	–	438	–	–	7,158	7,596
Currency translation differences	–	(530)	–	–	151	(379)
At 31.12.2014	**–**	**4,317**	**–**	**–**	**10,588**	**14,905**
Net carrying value						
At 31.12.2014	**19,122**	**899**	**793,815**	**2,680,110**	**23,707**	**3,517,653**

	Acquired libraries USD	Software USD	Other USD	Total USD
2013				
Cost				
At 1.1.2013	28,009	4,639	–	32,648
Additions	53,636	–	–	53,636
Acquisition of a subsidiary	–	–	32,788	32,788
Currency translation differences	419	195	–	614
At 31.12.2013	82,064	4,834	32,788	119,686
Accumulated amortisation				
At 1.1.2013	–	2,939	–	2,939
Amortisation charge (note 7)	–	1,253	3,279	4,532
Currency translation differences	–	217	–	217
At 31.12.2013	–	4,409	3,279	7,688
Net carrying value				
At 31.12.2013	82,064	425	29,509	111,998

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

13 FILM PRODUCTION INVENTORIES

	Group	
	2014	**2013**
	USD	**USD**
Cost		
Balance at beginning of the financial year	**8,567,058**	5,780,390
Acquisition of a subsidiary	**112,616**	–
Additions	**10,572,394**	9,601,929
Charged to cost of sales	**(13,951,146)**	(6,843,903)
Currency translation differences	**(166,537)**	28,642
Balance at end of the financial year	**5,134,385**	8,567,058
Accumulated impairment losses		
Balance at beginning of the financial year	**634,136**	522,295
Impairment loss (note 7)	**1,454,881**	107,782
Currency translation differences	**(65,326)**	4,059
Balance at end of the financial year	**2,023,691**	634,136
Net carrying value		
Balance at end of the financial year	**3,110,694**	7,932,922
Representing:		
Current	**1,428,014**	5,371,608
Non-current	**1,682,680**	2,561,314
	3,110,694	7,932,922

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

14 DEFERRED TAX ASSETS/(LIABILITIES)

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

	Group	
	2014	**2013**
	USD	**USD**
Balance at beginning of the financial year	**772,440**	(7,229)
Tax (expensed)/credited to statement of profit or loss and other comprehensive income	**(539,457)**	749,813
Currency translation difference	**(12,896)**	29,856
Balance at end of the financial year	**220,087**	772,440
Representing:		
Deferred tax assets	**335,543**	887,896
Deferred tax liabilities	**(115,456)**	(115,456)
	220,087	772,440

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

	USD	**USD**
Tax loss	**318,973**	–
Deferred tax on film production inventories	**(115,456)**	(115,456)
Other temporary differences	**16,570**	887,896
	220,087	772,440

At the balance sheet date, the Group has unutilised tax losses of USD8,292,000 that are available for carry forward to offset against future taxable income subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. Deferred tax assets has been recognised in respect of USD1,450,000 of such losses. No deferred tax assets has been recognised in respect of the remaining USD6,842,000 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 A RELATED PARTY

The loan to a related party in prior year was non-trade in nature, bears interest at 6.90% per annum, unsecured and repayable on demand. Related party refer to company in which a director of the Group having control over financial and operating decisions. The amount had been fully settled during the year.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

16 LOAN TO A SUBSIDIARY

The amount due from a subsidiary is non-trade in nature, bears interest at 1.20% (2013: Nil) per annum, unsecured and not expected to be repayable in the next twelve months.

17 INVESTMENT IN SUBSIDIARIES

	Company 2014 USD
Unquoted equity shares, at cost	14,635,097

(a) Details of subsidiaries are as follows:

Name of subsidiary	Place of incorporation	Principal business	Group Equity held
Held by the Company SEG HK#	Hong Kong	Investment holding company.	100.00%
Noon Pictures Co., Ltd## (“Noon”)	Korea	Professional photography services.	60.24%
Held by SEG HK SEL#	Hong Kong	Investment holding company.	100.00%
Opus#	Korea	Production, importation and exportation, investment, distribution and promotion of films. Purchase, sale and lease of real property.	100.00%
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%

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

17 INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Name of subsidiary	Place of incorporation	Principal business	Group Equity held
Held by SEG HK 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%
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#	Korea	Restaurant business, franchise and service business, processing and sale of food.	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%

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

Audited by Nexia Samduk, Korea

(b) Acquisition of a subsidiary:

On 31 December 2014, SEG HK acquired 51.36% of the issued share capital of UAA Korea for USD2,112,000. The Group has acquired UAA Korea in order to complement the Group's principal activities.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

17 INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) Acquisition of a subsidiary (cont'd):

	Group	
	2014 USD	2013 USD
(i) Fair value of identifiable assets and liabilities of subsidiary at acquisition date:		
Cash and cash equivalents	**1,721,635**	46,585
Investments	**636,827**	–
Trade and other receivables	**989,670**	242,057
Property, plant and equipment	**98,101**	–
Intangible assets	**2,680,110**	32,788
Film production inventories	**112,616**	–
	6,238,959	321,430
Trade and other payables	**3,104,179**	288,655
Deferred revenue	**574,702**	–
	3,678,881	288,655
Total identified net assets	**2,560,078**	32,775
Less: Non-controlling interests measured at the non-controlling's proportionate share of subsidiary's net assets	**(1,241,893)**	(15,985)
Net identified assets acquired	**1,318,185**	16,790
Goodwill	**793,815**	111,826
Total consideration transferred	**2,112,000**	128,616
Less: Cash and cash equivalents in subsidiary acquired	**(1,721,635)**	–
Net cash outflow on acquisition of subsidiary	**390,365**	128,616

(ii) Goodwill

The acquired subsidiary is involved in talent management, development, importation and exportation, investment, distribution and promotion of motion pictures. The goodwill of USD793,815 is attributable to significant synergies expected to arise after the acquisition.

(iii) Revenue and loss contribution

If the acquisition had occurred on 1 January 2014, the Group revenue would have been USD17.94 million and total loss would have been USD8.02 million.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

18 INVESTMENTS

	Group 2014 USD	Group 2013 USD	Company 2014 USD
Investment in insurance products, at fair value	**208,445**	162,886	**–**
Investment in mutual funds, at fair value	**377,471**	1,338,276	
Short-term investments, at cost	**2,904,387**	807,865	**243,652**
	3,490,303	2,309,027	**243,652**

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

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

19 TRADE AND OTHER RECEIVABLES

	Group 2014 USD	Group 2013 USD	Company 2014 USD
Trade receivables			
– Related party	**–**	2,576	**–**
– Third parties	**4,508,400**	227,257	**770**
	4,508,400	229,833	**770**
Less: Allowance for doubtful receivables	**(54,468)**	(41,473)	**–**
	4,453,932	188,360	**770**
Short-term loans			
– Director	**–**	250,203	**–**
– Third parties	**163,301**	113,979	**–**
– Non-controlling interest	**45,488**	62,892	**–**
	208,789	427,074	**–**
Less: Allowance for doubtful receivables	**(99,618)**	(103,762)	**–**
	109,171	323,312	**–**

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

19 TRADE AND OTHER RECEIVABLES (CONT'D)

	Group		Company
	2014	2013	2014
	USD	USD	USD
Other receivables			
– Amount due from a subsidiary	–	–	6,684
– Director	40,070	10,963	–
– Non-controlling interest	3,272	–	–
– Related parties	–	188,803	–
– Third parties	3,647,190	533,660	1,233,732
	3,690,532	733,426	1,240,416
Less: Allowance for doubtful receivables	(604,440)	(4,169)	–
	3,086,092	729,257	1,240,416
Tax recoverable	–	454,521	–
Prepayments	148,155	350,341	–
Deposits	700,106	628,892	–
	848,261	1,433,754	–
	8,497,456	2,674,683	1,241,186

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

Included in deposits was an amount of USD46,398 and USD47,380 which had been pledged to banks as collateral for corporate credit cards for the years ended 31 December 2014 and 2013 respectively.

20 CASH AND CASH EQUIVALENTS

	Group		Company
	2014	2013	2014
	USD	USD	USD
Bank and cash balances	11,218,541	4,038,530	4,471,821
Money market funds	957,628	5,175,622	–
	12,176,169	9,214,152	4,471,821

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

21 CONVERTIBLE BONDS

Tranche 1

On 30 August 2013, SEG HK issued convertible bonds with a nominal value of USD1,000,000 to third parties. The bonds are convertible at the option of the bond holders into fully paid ordinary shares with a par value of HKD1 each of SEG HK on or after 30 August 2013 up to and including 29 August 2015 at an initial conversion price of USD1,000 per share. Interest of 2.00% per annum will be paid on 29 August 2015. On 23 April 2014, the convertible bonds in the principle amount of USD1,000,000 were converted into 1,000 ordinary shares of SEG HK.

Tranche 2

On 1 November 2013, SEG HK issued convertible bonds with a nominal value of USD500,000 to third parties. The bonds are convertible at the option of the bond holders into fully paid ordinary shares with a par value of HKD1 each of SEG HK on or after 1 November 2013 up to and including 31 October 2015 at an initial conversion price of USD1,000 per share. Interest of 2.00% per annum will be paid on 31 October 2015. On 23 April 2014, the convertible bonds in the principle amount of USD500,000 were converted into 500 ordinary shares of SEG HK.

	Liability component USD	Equity component USD	Total USD
Issue of convertible bonds	1,383,916	116,084	1,500,000
Capitalisation of transaction costs	(103,794)	(8,706)	(112,500)
Interest charged	29,015	–	29,015
Interest paid	(8,333)	–	(8,333)
Balance at 31 December 2013	1,300,804	107,378	1,408,182
Interest charged	44,818	–	44,818
Interest paid	(10,000)	–	(10,000)
Conversion on convertible bond	(1,335,622)	(107,378)	(1,443,000)
Balance at 31 December 2014	–	–	–

The interest charged for the year is calculated by applying an effective interest rate of 10.50% (2013: 10.50%) per annum to the liability component for the number of days to the end of the reporting period since the bonds were issued.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

22 TRADE AND OTHER PAYABLES

	Group		Company
	2014 USD	2013 USD	2014 USD
Trade payables			
– Third parties	**4,334,677**	1,319,943	**17,463**
– Non-controlling interest	**7,510**	6,411	–
Accrued operating expenses			
– Directors	**27,000**	143	**27,000**
– Non-controlling interest	**495**	–	–
– Third parties	**138,056**	63,666	**68,410**
Allowance for unutilised leave	**50,849**	74,032	–
Other payables			
– Amount due to a subsidiary	–	–	**136,767**
– Third parties	**1,556,264**	618,968	–
– Non-controlling interest	**36**	6,961	–
– Related party	–	948	–
Advances received from			
– Third parties	**170,120**	127,658	–
	6,285,007	2,218,730	**249,640**

23 DEFERRED REVENUE

	Group	
	2014 USD	2013 USD
Minimum guarantee received for selling distribution rights of movie under production	**1,819,505**	2,321,615
Advance receipts in relation to production of documentary films	**481,045**	–
Advance receipts in relation to artists endorsement income	**574,702**	–
Government grant related to movie under production	–	42,638
	2,875,252	2,364,253

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

24 BORROWINGS

	Group	
	2014	2013
	USD	USD
Term loan I	**27,292**	28,428
Term loan II	**181,951**	189,520
Term loan III	**272,926**	284,279
Term loan IV	**454,876**	473,799
Term loan V	**272,926**	284,279
Term loan VI	**27,293**	–
	1,237,264	1,260,305

Term loan I

Term loan I is renewed on 7 November 2014 and is repayable on 6 November 2015 at an interest rate of 6.95% (2013: 6.95%) per annum. The term loan is secured by a guarantee from Korea Credit Guarantee Fund.

Term loan II

Term loan II is renewed on 24 October 2014 and repayable on 23 October 2015 at an interest rate of 4.45% (2012: 4.46%) per annum. The term loan is secured by a guarantee from Korea Technology Finance Corporation.

Term loan III

Term loan III is renewed on 24 April 2014 and is repayable on 25 April 2015 at an interest rate on Certificate of Deposit + 2.04% (2013: interest rate on Certificate of Deposit + 2.53%) per annum. The term loan is secured by a guarantee from Korea Technology Finance Corporation.

Term loan IV

Term loan IV is renewed on 31 May 2014 and repayable on 01 June 2015 at an interest rate of 4.26% (2013: 4.43%) per annum. The term loan is secured by a guarantee from Korea Technology Finance Corporation.

Term loan V

Term loan V is renewed on 9 April 2014 and is repayable on 10 April 2015 at an interest rate of 5.93% (2013: 5.87%) per annum. The term loan is secured by a guarantee from Korea Credit Guarantee Fund.

Term loan VI

Term loan VI is repayable on 18 March 2015 at an interest rate of 4.18% per annum. The term loan is secured by a guarantee from Korea Credit Guarantee Fund.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

25 FILM OBLIGATIONS AND PRODUCTION LOANS

	Group	
	2014 USD	2013 USD
Third parties	**4,100,276**	8,357,621

Film obligations and production loans represent advances received which represents unearned revenue. Film obligation and production loans are not guaranteed on principals by the Group.

26 SHARE CAPITAL

	Group				Company	
	2014		2013		2014	
	Number of issued shares	Issued share capital USD	Number of issues shares	Issued capital share USD	Number of issued share	Issued share capital USD
Issued and paid up capital						
At beginning of the financial year	**13,950**	**1,790**	10,000	1,300	–	–
At date of incorporation	**1**	**1**	–	–	**1**	**1**
Issuance of ordinary shares	–	–	3,950	490	–	–
Transition to no-par-value regime in Hong Kong	–	**6,657,822**	–	–	–	–
Issuance of ordinary shares pursuant to restructuring exercise	**3,276**	**7,884,229**	–	–	**17,226**	**14,543,841**
Sub-division of 1 ordinary shares into 20,000 ordinary shares	**344,522,773**	–	–	–	**344,522,773**	–
Issue of ordinary shares pursuant to initial public offering	**50,770,000**	**9,884,064**	–	–	**50,770,000**	**9,884,064**
At end of the financial year	**395,310,000**	**24,427,906**	13,950	1,790	**395,310,000**	**24,427,906**

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

26 SHARE CAPITAL (CONT'D)

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

(a) the allotment and issue of 17,226 shares in the share capital of the Company pursuant to the restructuring exercise.

(b) the sub division of 17,227 shares in the issued and paid up capital of the Company into 344,540,000 shares.

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

27 OTHER RESERVES

	Group	
	2014	**2013**
	USD	**USD**
Merger reserve (a)	**(2,724,167)**	6,123,327
Currency translation reserve (b)	**9,584**	266,967
Convertible bonds equity reserve (note 21)	**–**	107,378
	(2,714,583)	6,497,672

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

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

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

27 OTHER RESERVES (CONT'D)

(b) Currency translation reserve

	USD	USD
At beginning of the financial year	**266,967**	79,612
Net currency translation differences of financial statements of foreign subsidiaries	**(262,427)**	171,359
Reclassification of currency translation reserve upon acquisition of subsidiaries	**3,478**	16,864
Less: Non-controlling interests	**1,566**	(868)
	(257,383)	187,355
At end of the financial year	**9,584**	266,967

Currency translation reserve arises from the translation of foreign subsidiaries' financial statements whose functional currencies are different from the presentation currency of the Group.

28 COMMITMENTS

(a) Lease commitments

Where the Group is a lessee

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

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

	Group	
	2014	**2013**
	USD	**USD**
Not later than one financial year	**628,528**	432,764
Between two and five years	**724,334**	132,527
	1,352,862	565,291

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 recognized as receivables, are as follows:

	USD	USD
Not later than one financial year	**909**	48,174
Between two and five years	**–**	6,745
	909	54,919

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

28 COMMITMENTS (CONT'D)

(b) Capital commitments

On 28 November 2013, Opus entered into an agreement to invest KRW1.00 billion into a film investment fund, Kiwoom Cultural Venture Fund I, managed by Kiwoom Investment Co., Ltd. (the "Kiwoom Fund"), of which Opus had paid KRW500 million. Opus is required to pay a further KRW500 million into the Kiwoom Fund when they receive a capital call.

29 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

	Group		Company
	2014	2013	**2014**
	USD	**USD**	**USD**
Financial assets			
Loans and receivables	**18,843,142**	11,282,065	**4,479,276**
Investments	**3,490,303**	2,309,027	**243,652**
	22,333,445	13,591,092	**4,722,928**
Financial liabilities			
Trade and other payables	**5,921,185**	1,979,738	**249,640**
Borrowings	**1,237,264**	1,269,305	–
Convertible bonds	–	1,300,804	–
At amortised cost	**7,158,449**	4,549,847	**249,640**

(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 Company and its subsidiaries maintain their respective books and accounts in their functional currencies. As a result, the Group is subject to transaction and translation exposures resulting from currency exchange rate fluctuations. It is not the Group's policy to take speculative positions in foreign currencies.

Since the functional and reporting currency of the Company is USD while the functional currency of its major subsidiaries is in KRW, appreciation or depreciation in the value of the KRW relative to USD would have a positive or negative effect on the financial result.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

29 FINANCIAL INSTRUMENTS (CONT'D)

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

Foreign currency risk (cont'd)

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

Denominated in KRW:	**2014 USD**	2013 USD
Investments	**3,490,303**	2,309,027
Trade and other receivables	**6,666,973**	2,067,913
Cash and cash equivalents	**5,233,333**	7,180,536
Trade and other payables	**(5,921,185)**	(1,979,738)
Borrowings	**(1,237,264)**	(1,260,305)
Net financial assets denominated in foreign currencies	**8,232,160**	8,317,433

If the USD fluctuate against KRW by 5.00% with all other variables, including tax rate, held constant, the effects arising from the net financial assets/(liabilities) position will be as follows:

	Group Increase/(decrease) in profit after tax	
	2014 USD	**2013 USD**
USD/KRW		
– strengthened 5.00%	**411,608**	415,872
– weakened 5.00%	**(411,608)**	(415,872)

Interest rate risk

The Group's exposure to interest risk arises primarily from their bank borrowings, interest-bearing loan to related party and short-term loans to director and staff. Borrowings and loan to related party at variable rates exposes the Group to cash flow interest rate risk (ie. 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 has no significant interest-bearing assets and liabilities except for short-term loans to director and third parties (note 19), loan to a related party (note 15) and borrowings (note 24). 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 2014

29 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 carrying amounts of the financial assets presented on the statements of financial position represent the Group's maximum exposure to credit risk.

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 other class of financial assets presented on the statements of financial position that is past due and/or impaired except for those disclosed in note 19.

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

	Group	
	2014	**2013**
	USD	USD
Movements in allowance for doubtful receivables:		
At beginning of the financial year	**149,404**	149,751
Allowance made (note 7)	**642,620**	1,731
Reversal of allowance made(note 7)	**(679)**	(4,226)
Currency translation differences	**(32,819)**	2,148
At end of the financial year	**758,526**	149,404

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

29 FINANCIAL INSTRUMENTS (CONT'D)

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

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group'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 non-derivative financial liabilities at the balance sheet date based on contractual undiscounted repayment obligations.

		Group	
	Within 1 year USD	**More than 1 year but less than 2 years USD**	**Total USD**
2014			
Trade and other payables	**6,285,007**	**–**	**6,285,007**
Borrowings	**1,237,264**	**–**	**1,237,264**
2013			
Trade and other payables	2,218,730	–	2,218,730
Borrowings	1,260,305	–	1,260,305
Convertible bonds	–	1,560,000	1,560,000

(c) Fair value of financial instruments

Fair value hierarchy

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

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

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

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

29 FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair value of financial instruments (cont'd)

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

The level of fair value hierarchy for financial assets and financial liabilities measured at fair value at the end of the reporting period at 31 December 2014 are disclosed in note 18.

Determination of fair values

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

(d) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amount of these financial assets and financial liabilities recorded in the statements of financial position approximate their fair value due to their short-term nature.

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	
	2014	**2013**
	USD	**USD**
Related parties		
Income		
Rental income	**1,662**	7,671
Interest income	**27,665**	174,420
Waiver of debts	–	113,044
Expense		
Rental expenses	**(1,633)**	–
Production cost	–	(2,837)
Others		
Loans made to	–	2,271,341
Revenue received on behalf by	–	860,286

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

30 RELATED PARTY TRANSACTIONS (CONT'D)

	Group	
	2014	**2013**
	USD	**USD**
Shareholder/former holding company		
Loans from	–	36,528
Interest expenses	–	(43,562)
Rental expenses	**(46,672)**	–
Directors		
Loans to	–	564,546
Loan from	–	(91,321)
Advance payments	**41,819**	–
Purchase of equity shares	**37,979**	–
Interest income	**6,181**	9,140
Interest paid	–	(138)

Related parties refer to 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 holders of the Company comprising share capital, accumulated profits and merger reserve. The Group's overall strategy remains unchanged from 2013.

The Group is in compliance with all externally imposed capital requirements for financial years ended 31 December 2014 and 2013.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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 production of film and other film related activities.

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:

	Production of film		Other film related activities		Other		Total	
	2013 USD	2014 USD	2013 USD	2014 USD	2013 USD	2014 USD	2013 USD	2014 USD
Segment revenue	5,172,822	**13,152,087**	6,184,701	**2,574,232**	534,809	**333,247**	11,892,332	**16,059,566**
Segment profits/(losses)	1,545,366	**(4,801,025)**	1,847,663	**(939,688)**	159,773	**(121,345)**	3,552,802	**(5,862,058)**
Impairment loss on film production inventories	(107,782)	**(1,454,881)**	–	**–**	–	**–**	(107,782)	**(1,454,881)**
Reversal of impairment loss on investment in theatrical film projects	–	**–**	7,840	**–**	–	**–**	7,840	**–**
Unallocated expenses:								
Depreciation and amortization							(76,708)	**(96,980)**
Finance costs							(136,588)	**(104,933)**
Profit/(loss) before tax							3,239,564	**(7,518,852)**
Tax expense							(633,087)	**(561,842)**
Profit for the year							2,606,477	**(8,080,694)**
Segment assets	3,499,309	**5,428,616**	4,183,824	**1,062,524**	361,787	**137,207**	8,044,920	**6,628,347**
Unallocated assets							17,794,839	**25,410,845**
Total assets							25,839,759	**32,039,192**
Segment liabilities	4,663,707	**5,712,957**	5,575,995	**1,118,177**	482,172	**144,394**	10,721,874	**6,975,528**
Unallocated liabilities							6,126,414	**7,639,547**
Total liabilities							16,848,288	**14,615,075**

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

Segment liabilities

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

Geographical information

The Group's revenues from external customers derived solely from customers in Korea. The non-current assets of the Group are all located in Korea.

33 SUBSEQUENT EVENTS

(a) Acquisition of Novus Mediacorp Co Ltd ("Novus")

On 9 January 2015, The Company acquired 1,020 common shares of Novus representing 51.0% equity interest of Novus. The company paid SGD1,352,941 in cash and allotted and issued the 3,460,209 shares as the consideration.

(b) Black Priests

Opus entered into an investment and profit sharing agreement with 6 investors for the financing of *BLACK PRIESTS*. Total budget of the film is KRW7.0 billion, of which KRW6.4 billion has been raised as of financial reporting period. Zip Cinema is the production company and Opus is the presenter. It is planned to release in August 2015.

(c) Construction of a building

On 13 February 2015, Zip entered into a contract with Duyoung Construction Co., Ltd. for the construction of a building in Paju Publication and Book Culture Center. Zip made a down payment of KRW287 million out of total budget of KRW2,876 million at the date of contract. The construction is planned to complete by October 2015.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

34 COMPARATIVE FIGURES

As described on note 3(b) to the financial statements, the comparative figures of the Group for the preceding financial year have been presented under pooling interest manner. The effective date of the pooling interest for accounting purpose predates 1 January 2013, the beginning of the financial year for which the comparative figure are presented, as the Group have been under common control prior to 1 January 2013.

There are no comparative figures for the Company's statement of financial position as it was incorporated on 10 January 2014.

35 AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of the Group for the financial year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors dated 23 March 2015.

Statistics of Shareholdings

AS AT 11 MARCH 2015

Issued and paid-up capital	:	S$32,541,929.66
Number of issued shares	:	398,770,209
Class of shares	:	Ordinary
Number of treasury shares	:	Nil
Voting rights	:	On a poll – 1 vote for each ordinary share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDING	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	1	0.20	29	0.00
100 – 1,000	6	1.18	6,000	0.00
1,001 – 10,000	96	18.82	735,000	0.19
10,001 – 1,000,000	376	73.72	35,849,459	8.99
1,000,001 and above	31	6.08	362,179,721	90.82
TOTAL	**510**	**100.00**	**398,770,209**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	HSBC (SINGAPORE) NOMINEES PTE LTD	167,790,000	42.08
2	LEE TAE HUN	28,360,000	7.11
3	LEE YOO JIN	23,160,000	5.81
4	CITIBANK NOMINEES SINGAPORE PTE LTD	16,215,500	4.07
5	THONG SING-HAU, DANIEL	10,000,000	2.51
6	LIM YAO RONG, RACHEL	9,150,000	2.29
7	BANK OF SINGAPORE NOMINEES PTE LTD	8,120,000	2.04
8	DBS NOMINEES PTE LTD	7,751,800	1.94
9	UOB KAY HIAN PTE LTD	7,069,054	1.77
10	RAFFLES NOMINEES (PTE) LTD	6,685,800	1.68
11	LEONG LAI YEE	6,430,000	1.61
12	CHUEN HING PETROLEUM AND CHEMICALS HOLDINGS LIMITED	6,000,000	1.50
13	OCBC SECURITIES PRIVATE LTD	5,680,800	1.42
14	LI XIAO BIN	5,050,000	1.27
15	KELVIN TAN HAI CHING	5,000,000	1.25
16	PHILLIP SECURITIES PTE LTD	4,786,500	1.20
17	CHIA TAI TONG	4,600,000	1.15
18	ATLANTIS CHINA STAR FUND LIMITED	4,410,000	1.11
19	ICH PARTNERS LTD.	4,410,000	1.11
20	ESTHER LOW SUET CHENG	4,000,000	1.00
	TOTAL	**334,669,454**	**83.92**

Statistics of Shareholdings

AS AT 11 MARCH 2015

SUBSTANTIAL SHAREHOLDERS

	DIRECT INTEREST		INDIRECT INTEREST	
NAME OF SHAREHOLDER	NO. OF SHARES	%	NO. OF SHARES	%
SPACKMAN EQUITIES GROUP INC.	154,620,000	38.77	–	–
TAE HUN LEE	28,360,000	7.11	–	–
YOO JIN LEE	23,160,000	5.81	–	–
HAVENPORT ASSET MANAGEMENT PTE. LTD.	–	–	20,475,500[1]	5.13[1]
TAN KENG SIN PATRICK	–	–	20,475,500[2]	5.13[2]
TERN YUH SHENG JOSEPH	–	–	20,475,500[2]	5.13[2]

Notes:

[1] Havenport Asset Management Pte. Ltd. ("**Havenport**") is an investment manager and it is deemed to have an interest in the shares of the Company held in aggregate by its client accounts.

[2] Tan Keng Sin Patrick and Tern Yuh Sheng Joseph each holds more than 20% of the total number of issued shares in Havenport. As such, they are each deemed to have an interest in the shares of the Company held in aggregate by client accounts managed by Havenport.

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

On the basis of the information available to the Company as at 11 March 2015, approximately 42.30% 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 First Annual General Meeting

NOTICE IS HEREBY GIVEN that the First 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 Tuesday, 21 April 2015 at 10.00 a.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 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect Mr Charles Choi Spackman who is retiring pursuant to Article 97 of the Company's Articles of Association and who, being eligible, offers himself for re-election. **(Resolution 2)**

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

3. To re-elect Mr Tae Hun Lee who is retiring by rotation pursuant to Article 97 of the Company's Articles of Association and who, being eligible, offers himself for re-election. **(Resolution 3)**

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

4. To re-elect Ms Yoo Jin Lee ("**Ms Eugene Lee**") who is retiring pursuant to Article 97 of the Company's Articles of Association and who, being eligible, offers herself for re-election. **(Resolution 4)**

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

5. To re-elect Ms Thong Yuen Siew Jessie ("**Mrs Jessie Ho**") who is retiring pursuant to Article 97 of the Company's Articles of Association and who, being eligible, offers herself for re-election. **(Resolution 5)**

   Mrs Jessie Ho, will upon re-election as Director of the Company, remain as the Lead Independent Director of the Company, Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee. She is considered independent for the purpose of Rule 704(7) of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") (the "**Catalist Rules**").
   [See Explanatory Note (d)]

6. To re-elect Mr Anthony Wei Kit Wong ("**Mr Anthony Wong**") who is retiring pursuant to Article 97 of the Company's Articles of Association and who, being eligible, offers himself for re-election. **(Resolution 6)**

Notice of First Annual General Meeting

Mr Anthony Wong, will upon re-election as Director of the Company, remain as an Independent Director, the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee. He is considered independent for the purpose of Rule 704(7) of the Catalist Rules.
[See Explanatory Note (e)]

7. To re-elect Mr Ng Hong Whee ("**Mr Ng**") who is retiring pursuant to Article 97 of the Company's Articles of Association and who, being eligible, offers himself for re-election. **(Resolution 7)**

   Mr Ng, will upon re-election as Director of the Company, remain as an Independent Director, the Chairman of the Remuneration Committee and a member of the Audit Committee of the Company. He is considered independent for the purpose of Rule 704(7) of the Catalist Rules.
   [See Explanatory Note (f)]

8. To approve the payment of Directors' fees of US$54,000 for the financial year ended 31 December 2014. **(Resolution 8)**

9. To approve the payment of Directors' fees of US$108,000 for the financial year ending 31 December 2015, to be paid quarterly in arrears. **(Resolution 9)**

10. To re-appoint Messrs Baker Tilly TFW LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 10)**

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

AS SPECIAL BUSINESS

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

12. **Authority to Allot and Issue Shares** **(Resolution 11)**

    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,

Notice of First Annual General Meeting

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

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

provided that:

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

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

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

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

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

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

Notice of First Annual General Meeting

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

13. **Authority to allot and issue shares under the Spackman Entertainment Group Limited Employee Share Option Scheme (the "ESOS")** **(Resolution 12)**

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 (h)]

14. **The Proposed Adoption of the Share Buy Back Mandate** **(Resolution 13)**

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 Articles of Association, the provisions of the Act and the Catalist Rules as may for the time being be applicable (the "**Share Buy Back Mandate**");

Notice of First Annual General Meeting

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

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

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

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

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

(d) for purposes of this Resolution:

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

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

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

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

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

Notice of First Annual General Meeting

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

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

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

(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 (i)]

By Order of the Board

Mr Charles Choi Spackman
Executive Chairman
Singapore
6 April 2015

Explanatory Notes:

(a) Information on Mr Charles Choi Spackman can be found on page 9 of the annual report.

(b) Information on Mr Tae Hun Lee can be found on page 9 of the annual report.

(c) Information on Ms Eugene Lee can be found on page 9 of the annual report.

(d) Information on Mrs Jessie Ho can be found on page 10 of the annual report.

(e) Information on Mr Anthony Wong can be found on page 10 of the annual report.

(f) Information on Mr Ng can be found on page 10 of the annual report.

(g) The Resolution 11 in item 12, 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 11, 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 11 would not exceed one hundred per cent. (100%) of the total number of issued Shares (excluding treasury shares) at the time of passing of this Resolution 11. For issue of Shares and convertible securities other than on a pro-rata basis to all shareholders, the aggregate number of Shares and convertible securities to be issued shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares) at the time of passing of this Resolution 11.

Notice of First Annual General Meeting

(h) The Resolution 12 in item 13, 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.

(i) The Resolution 13 in item 14, 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 centum (10%) of the total number of issued Shares (excluding treasury shares), at prices up to but not exceeding the Maximum Price (as defined above), as at the date of the passing of this Resolution 13. Details the proposed adoption of the Share Buy Back Mandate are set out in the Appendix accompanying this annual report.

Notes:

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

2. The instrument appointing a proxy must be deposited at the registered office of the Company's Share Registrar, Tricor Barbinder Share Registration Services, either by hand at 80 Robinson Road, #11-02 Singapore 068898 or by post at 80 Robinson Road #02-00 Singapore 068898, not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting in accordance with the instructions stated herein and in the proxy form.

Personal Data Privacy

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

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SPACKMAN ENTERTAINMENT GROUP LIMITED

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

PROXY FORM
FIRST ANNUAL GENERAL MEETING

IMPORTANT

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 First Annual General Meeting dated 6 April 2015.

I/We ____________________ NRIC/Passport No.: ____________________

of ____________________

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

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

and/or (delete as appropriate)

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

or failing him/her, the Chairman of the First 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 Tuesday, 21 April 2015 at 10.00 a.m., and at any adjournment thereof. I/we have indicated with an "✓" 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 2014 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 Tae Hun Lee as a Director of the Company		
Resolution 4	To re-elect Ms Yoo Jin Lee as a Director of the Company		
Resolution 5	To re-elect Ms Thong Yuen Siew Jessie as a Director of the Company		
Resolution 6	To re-elect Mr Anthony Wei Kit Wong as a Director of the Company		
Resolution 7	To re-appoint Mr Ng Hong Whee as a Director of the Company		
Resolution 8	To approve the payment of Directors' fees for the financial year ended 31 December 2014		
Resolution 9	To approve the payment of Directors' fees for the financial year ending 31 December 2015, to be paid quarterly in arrears		
Resolution 10	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 11	To approve and authorise the Directors to allot and issue shares in the capital of the Company		
Resolution 12	To approve and authorise the Directors to allot and issue shares under the Spackman Entertainment Group Limited Employee Share Option Scheme		
Resolution 13	To approve the proposed adoption of the Share Buy Back Mandate		

* 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 ______________ 2015

Total Number of 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 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares.

   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.

2. A member of the Company entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If the proportion of shareholding is not specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his/her name in the Depository Register and the entire number of shares registered in his/her name in the Register of Members, and any second named proxy as an alternate to the first named proxy.

4. 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.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his 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 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 must be deposited at the registered office of the Company's share registrar, Tricor Barbinder Share Registration Services, either by hand at 80 Robinson Road, #11-02 Singapore 068898 or by post at 80 Robinson Road, #02-00 Singapore 068898, not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting in accordance with the instructions stated.

AFFIX
STAMP

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

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 name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Corporate Information

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

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

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

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

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

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

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

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

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TOPPAN
TOPPAN VITE PTE. LTD.
(65) 6578 6522

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

16 Collyer Quay
#17-00
Singapore 049318