

# spackmanentertainmentgroup

(Company Registration No.:201401201N)

## Unaudited Financial Statement and Dividend Announcement For the Financial Year Ended 31 December 2020

### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FULL YEAR RESULTS

**1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year**

	Group Twelve Months Ended		
	31 December 2020 (Unaudited) US\$'000	31 December 2019 (Audited) US\$'000	Change %
Revenue	9,481	20,095	(53)
Cost of sales	(7,779)	(13,278)	(41)
Gross profit	1,702	6,817	(75)
Other income and gains	724	439	65
Interest income	106	142	(25)
<b>Expenses</b>			
Selling expenses	(375)	(655)	(43)
General and administrative expenses	(6,469)	(7,000)	(8)
Finance costs	(331)	(292)	13
Other expenses	(15,270)	(2,336)	NM
Share of results of associated companies	(1,349)	(202)	NM
<b>Loss before tax</b>	(21,262)	(3,087)	NM
Tax credit/(expense)	1,372	(347)	NM
<b>Loss for the year</b>	(19,890)	(3,434)	NM
<b>Other comprehensive loss</b>			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Share of other comprehensive income/(loss) of associated companies	136	(217)	NM
Currency translation differences arising from consolidation	290	(228)	NM
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Currency translation differences arising from consolidation	35	(70)	NM
<b>Total comprehensive loss for the year</b>	(19,429)	(3,949)	NM
<b>Loss for the year attributable to:</b>			
Equity holders of the Company	(19,675)	(3,156)	NM
Non-controlling interests	(215)	(278)	(23)
	(19,890)	(3,434)	NM
<b>Total comprehensive loss for the year attributable to:</b>			
Equity holders of the Company	(19,249)	(3,601)	NM
Non-controlling interests	(180)	(348)	(48)
	(19,429)	(3,949)	NM

NM – Not meaningful

## 1(a)(ii) Notes to Consolidated Statement of Comprehensive Income

Loss for the year was stated after charging/(crediting) the followings:

	Twelve Months Ended		Change %
	31 December 2020 (Unaudited) US\$'000	31 December 2019 (Audited) US\$'000	
Personnel expenses	2,707	2,820	(4)
Travel expense	53	171	(69)
Entertainment expense	247	368	(33)
Rental expense	42	175	(76)
Service expenses	1,126	1,370	(18)
Depreciation	1,869	2,130	(12)
Impairment loss on goodwill	6,554	1,246	NM
Impairment loss on intangible assets	4,377	-	NM
Impairment loss on investment in associated company	2,534	135	NM
Impairment loss on property, plant and equipment	959	1	NM
Impairment loss on film production inventories	583	28	NM
Amortisation	310	495	(37)
Interest income	(106)	(142)	(25)
Interest expense	331	292	13
Foreign exchange (gain)/loss, net	(303)	138	NM

NM – Not meaningful

**1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year**

	Group		Company	
	31 December 2020 (Unaudited) US\$'000	31 December 2019 (Audited) US\$'000	31 December 2020 (Unaudited) US\$'000	31 December 2019 (Audited) US\$'000
<b>Assets</b>				
Investment in subsidiaries	-	-	16,794	33,044
Investment in associated companies	17,488	21,236	20,173	20,108
Property, plant and equipment	6,649	8,260	463	672
Intangible assets	6,929	19,019	-	-
Film production inventories	2,523	1,830	-	-
Deferred tax assets	602	352	-	-
Trade and other receivables	739	720	-	-
Financial assets at fair value through profit or loss	1,211	1,096	357	374
<b>Non-current assets</b>	<b>36,141</b>	<b>52,513</b>	<b>37,787</b>	<b>54,198</b>
Financial assets at fair value through profit or loss	3,711	4,138	-	-
Loan to subsidiaries	-	-	626	496
Trade and other receivables	9,230	6,100	1,606	674
Contract assets	25	2,004	-	-
Film production inventories	-	1,147	-	-
Inventories	6	9	-	-
Cash and cash equivalents	4,343	4,212	237	148
<b>Current assets</b>	<b>17,315</b>	<b>17,610</b>	<b>2,469</b>	<b>1,318</b>
<b>Total assets</b>	<b>53,456</b>	<b>70,123</b>	<b>40,256</b>	<b>55,516</b>
<b>Liabilities</b>				
Borrowings	3,377	2,833	2,213	3,287
Other non-current liabilities	465	203	-	-
Contract liabilities	1,503	1,326	-	-
Deferred tax liabilities	97	1,202	-	-
<b>Non-current liabilities</b>	<b>5,442</b>	<b>5,564</b>	<b>2,213</b>	<b>3,287</b>
Trade and other payables	2,866	3,892	655	383
Contract liabilities	2,730	2,427	-	-
Borrowings	6,232	5,772	582	603
Film obligation and production loans	308	388	-	-
Tax payables	7	375	-	-
<b>Current liabilities</b>	<b>12,143</b>	<b>12,854</b>	<b>1,237</b>	<b>986</b>
<b>Total liabilities</b>	<b>17,585</b>	<b>18,418</b>	<b>3,450</b>	<b>4,273</b>
<b>Net assets</b>	<b>35,871</b>	<b>51,705</b>	<b>36,806</b>	<b>51,243</b>

	Group		Company	
	31 December 2020 (Unaudited) US\$'000	31 December 2019 (Audited) US\$'000	31 December 2020 (Unaudited) US\$'000	31 December 2019 (Audited) US\$'000
<b>Share capital and reserves</b>				
Share capital	70,007	66,197	70,007	66,197
Treasury shares	(680)	(465)	(680)	(465)
Other reserves	(2,348)	(2,774)	-	-
Accumulated losses	(31,726)	(12,051)	(32,521)	(14,489)
Equity attributable to equity holders of the Company, total	35,253	50,907	36,806	51,243
Non-controlling interests	618	798	-	-
<b>Total equity</b>	<b>35,871</b>	<b>51,705</b>	<b>36,806</b>	<b>51,243</b>

**1(b)(ii) Aggregate amount of group's borrowings and debt securities**

**Amount repayable in one year or less, or on demand**

<b>As at 31 December 2020 (Unaudited)</b>		<b>As at 31 December 2019 (Audited)</b>	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
2,385	3,847	2,773	2,999

**Amount repayable after one year**

<b>As at 31 December 2020 (Unaudited)</b>		<b>As at 31 December 2019 (Audited)</b>	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
1,407	1,970	1,969	864

**Details of any collateral**

The Group's short-term borrowings are secured over a credit guarantee by Korea Credit Guarantee Fund ("KCGF") and Shinhan Credit Guarantee Fund ("SCGF"), a mortgage of the land and a building, a personal guarantee by a subsidiary's chief executive officer, and the film *JESTERS: THE GAME CHANGERS* by Seoul Guarantee Insurance Co., Ltd.

The Group's long-term borrowings are secured over a mortgage of the land and a building.

**1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**Consolidated Statement of Cash Flows**

	<b>Group</b>	
	<b>12 Months Ended</b>	
	<b>31 December 2020 (Unaudited) US\$'000</b>	<b>31 December 2019 (Audited) US\$'000</b>
<b>Operating activities</b>		
Loss before tax	(21,262)	(3,087)
Adjustments for:		
Depreciation of property, plant and equipment	1,869	2,130
Amortisation of intangible assets	310	495
Interest income	(106)	(142)
Interest expenses	331	292
Impairment loss on film production inventories	583	28
Impairment loss on property, plant and equipment	959	-
Impairment loss on goodwill	6,554	1,246
Impairment loss on intangible assets	4,377	-
Impairment loss on investment in associated company	2,534	135
Loss on disposal of property, plant and equipment	49	1
Fair value gain on investments in financial assets at FVTPL	(29)	(22)
Fair value loss on investments in financial assets at FVTPL	118	290
Allowance for doubtful receivables	301	171
Reversal of allowance for impairment for receivables	-	(23)
Reversal of loss on film borne by external investors	2	2
Gain on disposal of financial assets at FVTPL	-	(170)
Share of results of associated companies	1,349	202
<b>Operating (loss)/profit before working capital changes</b>	<b>(2,061)</b>	<b>1,548</b>
<b>Working capital changes</b>		
Inventories and copyrights	3	180
Film production inventories	(408)	(54)
Receivables and contract assets	1,348	(95)
Payables and contract liabilities	413	1,043
Currency translation adjustments	161	(80)
Cash (used in)/generated from operations	(544)	2,542
Interest received	5	115
Income tax paid	(350)	(408)
<b>Net cash (used in)/generated from operating activities</b>	<b>(889)</b>	<b>2,249</b>
<b>Investing activities</b>		
Short term loans granted	(2,526)	(3,120)
Collection of short-term loans	686	2,934
Purchases of property, plant and equipment	(52)	(644)
Purchases of intangible assets	(32)	(252)
Proceeds from disposal of property, plant and equipment	70	4
Acquisition of a subsidiary, net cash acquired	-	20
Purchases of financial assets at FVTPL	(522)	(2,219)

	<b>Group</b>	
	<b>12 Months Ended</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Proceeds from disposal of financial assets at FVTPL	1,268	2,138
<b>Net cash used in investing activities</b>	<b>(1,108)</b>	<b>(1,139)</b>
<b>Financing activities</b>		
Repayment of lease liabilities	(964)	(1,517)
Repayment of borrowings	(2,844)	(3,315)
Proceeds from borrowings	2,497	5,310
Repayment of film obligations and production loans	(80)	(38)
Advances received from staff	194	1,045
Repayment of advances received from staff	(103)	(610)
Issuance of shares	3,810	-
Purchase of treasury shares	(215)	(260)
Interest paid	(302)	(292)
<b>Net cash generated from financing activities</b>	<b>1,993</b>	<b>323</b>
<b>Net change in cash and cash equivalents</b>	<b>(4)</b>	<b>1,433</b>
Cash and cash equivalents at beginning of financial year	4,212	2,744
Effect of exchange rate changes	135	35
<b>Cash and cash equivalents at end of the financial year</b>	<b>4,343</b>	<b>4,212</b>

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year**

**Statement of Changes in Equity**

Group (unaudited)	← Attributable to equity holders of the Company →					Non-controlling interests	Total equity
	Share capital	Treasury shares	Other reserves	Accumulated losses	Total		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Balance as at 1 January 2020</b>	66,197	(465)	(2,774)	(12,051)	50,907	798	51,705
Loss for the year	-	-	-	(19,675)	(19,675)	(215)	(19,890)
<u>Other comprehensive income for the year</u>							
Share of other comprehensive loss of associated companies	-	-	136	-	136	-	136
Currency translation differences on consolidation	-	-	290	-	290	35	325
	-	-	426	-	426	35	461
Issue of ordinary shares	3,810	-	-	-	3,810	-	3,810
Purchase of treasury shares	-	(215)	-	-	(215)	-	(215)
<b>Balance as at 31 December 2020</b>	<b>70,007</b>	<b>(680)</b>	<b>(2,348)</b>	<b>(31,726)</b>	<b>35,253</b>	<b>618</b>	<b>35,871</b>
<b>Group (Audited)</b>							
<b>Balance as at 1 January 2019</b>	64,411	(205)	(2,329)	(8,895)	52,982	1,146	54,128
Loss for the year	-	-	-	(3,156)	(3,156)	(278)	(3,434)
<u>Other comprehensive loss for the year</u>							
Share of other comprehensive loss of associated companies	-	-	(217)	-	(217)	-	(217)
Currency translation differences on consolidation	-	-	(228)	-	(228)	(70)	(298)
	-	-	(445)	-	(445)	(70)	(515)
Issue of ordinary shares	1,786	-	-	-	1,786	-	1,786
Purchase of treasury shares	-	(260)	-	-	(260)	-	(260)
<b>Balance as at 31 December 2019</b>	<b>66,197</b>	<b>(465)</b>	<b>(2,774)</b>	<b>(12,051)</b>	<b>50,907</b>	<b>798</b>	<b>51,705</b>



## Statement of Changes in Equity

Company (Unaudited)	Share capital	Treasury shares	Accumulated losses	Total
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Balance as at 1 January 2020</b>	66,197	(465)	(14,489)	51,243
Loss for the year	-	-	(18,032)	(18,032)
Issue of ordinary shares	3,810	-	-	3,810
Purchase of treasury shares	-	(215)	-	(215)
<b>Balance as at 31 December 2020</b>	<b>70,007</b>	<b>(680)</b>	<b>(32,521)</b>	<b>36,806</b>

<b>Company (Audited)</b>				
<b>Balance as at 1 January 2019</b>	64,411	(205)	(4,120)	60,086
Loss for the year	-	-	(10,369)	(10,369)
Issue of ordinary shares	1,786	-	-	1,786
Purchase of treasury shares	-	(260)	-	(260)
<b>Balance as at 31 December 2019</b>	<b>66,197</b>	<b>(465)</b>	<b>(14,489)</b>	<b>51,243</b>

- 1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

<b>Shares Capital – Ordinary Shares</b>	<b>Issued shares</b>	<b>Issued and paid-up share capital</b>
<b>Balance as at 1 July and 31 December 2020</b>	1,949,225,819	US\$70,007,456

<b>Treasury shares</b>	<b>Number of shares</b>	<b>Amount</b>
<b>Balance as at 1 July 2020</b>	27,568,500	US\$535,302
<b>Purchase of treasury shares <sup>(1)</sup></b>	20,000,000	US\$144,396
<b>Balance as at 31 December 2020</b>	47,568,500	US\$679,698

Notes:

- (1) On 8 July 2020, the Company purchased an aggregate of 20,000,000 treasury shares by way of market acquisition.

The Company did not have any outstanding options or convertibles as at 31 December 2020 and 31 December 2019.

There were 47,568,500 treasury shares, representing 2.50% of the total number of outstanding shares in issue (excluding treasury shares) of 1,901,657,319 as at 31 December 2020. There were 21,649,100 treasury shares, representing 1.83% of the total number of outstanding shares in issue (excluding treasury shares) of 1,183,965,608 as at 31 December 2019.

There were also no subsidiary holdings as at 31 December 2020 and 31 December 2019.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year**

	<b>As at 31 December 2020</b>	<b>As at 31 December 2019</b>
<b>Total number of issued shares excluding treasury shares</b>	1,901,657,319	1,183,965,608

**1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable. There are no sales, transfers, disposals, cancellation and/or use of treasury shares during and as at end of the current financial period reported on.

**1(d)(v) A statement showing all sales, transfers, disposals, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable. There are no subsidiary holdings during and as at end of the current financial period reported on.

**2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any modifications or emphasis of a matter).**

Not applicable as the figures have not been audited or reviewed by the Company's auditors.

**3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-**

**(a) Updates on the efforts taken to resolve each outstanding audit issue.**

**(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.**

**This is not required for any audit issue that is a material uncertainty relating to going concern.**

Not applicable. The Company's auditors did not express a modified opinion on the Group's latest audited financial statements for the financial year ended 31 December 2019.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial year as those used in the most recently

audited annual financial statements for the financial year ended 31 December 2019 (“FY2019”).

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Not applicable.

6. **Loss per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

	Group 12 months ended	
	31 December 2020	31 December 2019
<b>Loss per share (“LPS”)</b>		
Loss attributable to shareholders of the Company (US\$)	(19,674,985)	(3,156,066)
Weighted average number of ordinary shares in issue	1,582,900,488	1,088,656,019
Basic and fully diluted basis LPS (US cents) <sup>(1) (2)</sup>	(1.24)	(0.29)
Adjusted LPS (US cents) <sup>(3)</sup>	(1.03)	(0.27)

Notes:

- (1) The basic and fully diluted basic LPS of the Group for the respective periods was calculated based on the weighted average number of ordinary shares in issue for the respective periods.
- (2) The basic and fully diluted basic LPS are the same as there were no potentially dilutive ordinary shares in existence during the respective periods.
- (3) For comparative purposes, the adjusted LPS of the Group for the respective periods was calculated based on 1,901,657,319 ordinary shares in issue (excluding treasury shares) as at 31 December 2020.

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the**  
**(a) Current financial year reported on; and**  
**(b) Immediately preceding financial year**

	Group		Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Net asset value (US\$)	35,871,673	51,705,316	36,806,021	51,243,178
Number of ordinary shares in issue (excluding treasury shares)	1,901,657,319	1,183,965,608	1,901,657,319	1,183,965,608
Net asset value per ordinary share (US\$)	0.019	0.044	0.019	0.043

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss: -
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial year reported on, including (where applicable) seasonal or cyclical factors; and
  - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial year reported on.

#### Consolidated Statement of Comprehensive Income

##### Revenue

##### Twelve months ended 31 December 2020 ("FY2020") vs Twelve months ended 31 December 2019 ("FY2019")

The breakdown of revenue in FY2020 and FY2019 is as follows:

Source of revenue	Group	
	FY2020 (Unaudited) US\$ million	FY2019 (Audited) US\$ million
Production of films	4.75	12.21
Distribution of films and others	1.23	3.82
Leasing of equipment	0.54	2.20
Sales of content	1.98	0.49
Consulting services	0.01	0.52
Restaurant sales and café lounge business	0.27	0.39
Photography	0.10	0.10
Others	0.60	0.37
<b>Total</b>	<b>9.48</b>	<b>20.10</b>

Revenue decreased by 53% year-on-year ("YoY") to US\$9.48 million in FY2020, mainly due to the followings:

- (i) decrease in production of films of US\$7.46 million mainly due to lower recognition of the share of profit for acting as the producer for *CRAZY ROMANCE* of US\$0.31 million in FY2020 as compared to the recognition of the share of profit for acting as the producer for *DEFAULT* and *CRAZY ROMANCE* of US\$1.86 million and US\$1.63 million respectively in FY2019. In addition, percentage-of-completion "POC" of *BROKER* and *#ALIVE* (both produced by Zip Cinema Co., Ltd. "Zip Cinema") and *GUARDIAN* (produced by Studio Take Co., Ltd. "Studio Take") of total US\$4.44 million based on costs incurred relative to total expected costs in FY2020 is lower as compared to the POC of *CRAZY ROMANCE*, *#ALIVE* and *GUARDIAN* of total US\$8.91 million in FY2019;
- (ii) decrease in distribution of films and others of US\$2.59 million mainly due to lower post-theatrical revenue from *LONG LIVE THE KING* and *MY FIRST CLIENT* of total US\$0.34 million in FY2020, as compared to its post-theatrical revenue from *LONG LIVE THE KING* and *MY FIRST CLIENT* of total US\$3.17 million in FY2019. Novus Mediacorp Co., Ltd. ("Novus Mediacorp") owns the distribution rights of *LONG LIVE THE KING* and *MY FIRST CLIENT* for the post-theatrical market in Korea; and

- (iii) decrease of US\$1.66 million from leasing of equipment to third parties by Frame Pictures Co., Ltd. “**Frame Pictures**” due to fewer film and television drama projects in FY2020 as these projects were postponed due to the Coronavirus “**COVID-19**” pandemic.

The decrease was partially offset by an increase in sales of content of US\$1.49 million, mainly due to sale of a copyrighted artist’s pictorial of US\$1.96 million.

## Cost of sales

### FY2020 vs FY2019

The breakdown of cost of sales in FY2020 and FY2019 is as follows:

	Group	
	FY2020	FY2019
	(Unaudited)	(Audited)
Cost of sales	US\$ million	US\$ million
Production of films	4.64	8.56
Distribution of films and others	0.54	3.17
Leasing of equipment	0.73	0.95
Sales of content	1.24	0.26
Consulting services	-	0.08
Restaurant sales and café lounge business	0.12	0.18
Others	0.51	0.08
<b>Total</b>	<b>7.78</b>	<b>13.28</b>

Cost of sales decreased by 41% YoY to US\$7.78 million in FY2020, mainly due to a decrease of US\$3.92 million from production of films mainly due to lower production costs incurred in FY2020 for *GUARDIAN*, *#ALIVE* and *BROKER* of US\$2.59 million, US\$0.93 million, and US\$0.66 million respectively as compared to the production costs that were incurred in FY2019 for *CRAZY ROMANCE*, *#ALIVE* and *GUARDIAN* of US\$1.97 million, US\$5.26 million, and US\$1.05 million respectively. The decrease of US\$2.63 million from distribution of films and others mainly because of fewer motion films distributed by the Group in FY2020 as compared to that for FY2019.

The decrease was partially offset by an increase in the cost of sales of content to US\$1.24 million in FY2020, mainly due to cost recognised from the sale of a copyrighted artist’s pictorial of US\$1.20 million.

## Gross profit

### FY2020 vs FY2019

Gross profit decreased by US\$5.12 million or 75% YoY from US\$6.82 million in FY2019 to US\$1.70 million in FY2020, mainly due to the followings:

- (i) lower recognition of share of profit for acting as the producer by US\$3.54 million in FY2020 mainly because COVID-19 has decimated the Korean box office badly; and
- (ii) lower gross profit by US\$1.43 million from leasing of equipment in FY2020 mainly because Frame Pictures leased out cameras at a lower profit margin to secure the few projects in the market to cover its costs as part of its short-term pricing strategy. Fewer films and television drama projects in FY2020 were attributable to the lockdown restrictions and social distancing measures at the filming set to curb the spread of COVID-19.

## **Other income and gains**

### **FY2020 vs FY2019**

Other income and gains increased by US\$0.29 million or 65% YoY to US\$0.72 million in FY2020 mainly because of a bad debt recovery of US\$0.12 million, one-time government grant income of US\$0.12million, and non-recurring Jobs Support Scheme payout of US\$0.03 million from the Singapore government in helping companies to retain jobs by partially covering the salary of employees during the COVID-19 pandemic.

## **Selling expenses**

### **FY2020 vs FY2019**

Selling expenses decreased by 43% YoY to US\$0.38 million in FY2020 mainly due to the COVID-19 pandemic that has reduced corporate travels and other related expenses because of the travel restrictions and social distancing measures.

## **General and administrative expenses**

### **FY2020 vs FY2019**

General and administrative expenses have decreased by US\$0.53 million, from US\$7 million in FY2019 to US\$6.47 million in FY2020. This is mainly attributable to the decrease in rent expense, service fees and repair and maintenance totaled US\$0.45 million due to the reactive variable cost cutting strategy in times of COVID-19 pandemic.

## **Other expenses**

### **FY2020 vs FY2019**

Other expenses increased by US\$12.93 million, from US\$2.34 million in FY2019 to US\$15.27 million in FY2020 mainly attributable to an increase in impairment loss on goodwill of US\$5.31 million, impairment loss on intangible assets of US\$4.38 million, impairment loss on investment in associated company of US\$2.40 million, and impairment loss on property, plant and equipment of US\$0.96 million in FY2020.

The increase in goodwill markdowns was mainly attributable to the uncertainty about when the COVID-19 crisis will come to an end, hence management has developed multiple scenarios and applying probabilities to each to arrive at the expected cash flows, where more weight was applied to the downside scenario(s) to achieve the objective of incorporating a market view of risk and uncertainty.

Impairment loss on intangible assets was attributable to the higher carrying value of a copyrighted artist's pictorial than its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use. Fair value was based on the quoted prices less transaction taxes. In assessing value in use, the estimated future cash flows were based on a range of probability-weighted possible outcome to predict the impact of COVID-19 outbreak.

Impairment loss is recognised on investment in Spackman Media Group Limited ("SMGL") as its recoverable amount based on fair market value less costs to sell is lower than its carrying value under the equity method. Fair market value was determined using income approach, discounted cash flow method.

Impairment loss on property, plant and equipment of Frame Pictures is caused by the increasingly seen short iteration cycles of rapid development and product replacement for cameras and lenses which resulted in a higher carrying value than its recoverable amount.

## **Share of results of associated companies**

### **FY2020 vs FY2019**

The share of results of associates of a loss of US\$1.35 million in FY2020 (FY2019: a loss of US\$0.20 million) was attributable to the losses from the Company's 43.88% owned associated company, SMGL of US\$1.35 million. COVID-19 is having a marked impact on talent management and entertainment industry in FY2020 as the works of SMGL artists are largely premised on dense physical contact and live experiences. The disruptions to the production of films, television dramas and commercial advertisement with the lockdown restrictions and social distancing measures on the filming set have resulted in a loss position for SMGL in FY2020.

## **Tax credit/(expense)**

### **FY2020 vs FY2019**

The Group recorded tax credit of US\$1.37 million in FY2020 (FY2019: tax expense of US\$0.35million) due to the loss-making position of the Group and the reduction in the deferred tax liability due to the reversal of the taxable temporary differences in FY2020.

## **Loss before tax**

### **FY2020 vs FY2019**

As a result of the above, the Group recorded a loss before tax of US\$21.26 million in FY2020 as compared to a loss before tax of US\$3.09 million in FY2019.

## **Consolidated Statement of Financial Position**

### **Non-current assets**

The Group's non-current assets amounted to US\$36.14 million as at 31 December 2020. The decrease in non-current assets from US\$52.51 million as at 31 December 2019 was mainly due to:

- i) decrease in intangible assets of US\$12.09 million mainly due to impairment loss on goodwill of US\$6.55 million and impairment loss on a copyrighted artist's pictorial of US\$4.38 million;
- ii) decrease in investment in associated companies of US\$3.75 million mainly attributable to the share of losses of US\$1.21 million from SMGL, and the impairment loss on investment in one of the associated company, SMGL of US\$2.53 million; and
- iii) decrease in property, plant and equipment of US\$1.61 million mainly attributable to the impairment loss of US\$0.96 million and depreciation charged in FY2020.



### **Current assets**

The Group's current assets amounted to US\$17.31 million as at 31 December 2020. The decrease in current assets from US\$17.61 million as at 31 December 2019 was mainly due to:

- i) decrease in contract assets of US\$1.98 million mainly due to the subsequent billing and collection of unbilled receivables related to *CRAZY ROMANCE* of US\$1.74 million in FY2020; and
- ii) decrease in film production inventories of US\$1.15 million mainly due to an impairment loss of US\$0.58 million and sales of film production inventories. Impairment loss on film production inventories is due to several project developments that have been put on hold or abandoned due to the COVID-19 outbreak.

The decrease was partially offset by an increase in trade and other receivables of US\$3.13 million, mainly due to uncollected proceeds from the sale of a copyrighted artist's pictorial of US\$1.96 million and an increase in loan receivables of US\$1.56 million.

### **Non-current liabilities**

The Group's non-current liabilities amounted to US\$5.44 million as at 31 December 2020. The slight decrease in non-current liabilities from US\$5.56 million as at 31 December 2019 was mainly due to a decrease in deferred tax liabilities of US\$1.11 million due to the reversal of the taxable temporary differences in FY2020, and such decrease was partially offset by an increase in borrowings, other non-current liabilities and contract liabilities totaled US\$0.98 million.

### **Current liabilities**

The Group's current liabilities amounted to US\$12.14 million as at 31 December 2020. The decrease in current liabilities from US\$12.85 million as at 31 December 2019 was mainly due to a decrease in trade and other payables of US\$1.03 million mainly in relation to the payment made by Novus Mediacorp to its copyright suppliers of *THE OUTLAWS*, *LONG LIVE THE KING* and *MY FIRST CLIENT* of total US\$0.26 million, and a classification of Frame Pictures's payables of US\$0.90 million as non-current based on its settlement arrangement in FY2020.

### Consolidated Statement of Cash Flow

As at 31 December 2020, the Group had cash and cash equivalents amounting to US\$4.34 million as compared to cash and cash equivalents amounting to US\$4.21 million as at 31 December 2019.

The significant cash movements during FY2020 as compared to FY2019 can be summarised as follows:

Cash flow used in operating activities for FY2020 amounted to US\$0.89 million as compared to cash flow generated from operating activities of US\$2.25 million for FY2019. The cash used in operating activities for FY2020 was mainly due to operating loss before working capital changes of US\$2.06 million and partially offset by an increase in receivables and contract assets of US\$1.35 million.

Cash flow used in investing activities for FY2020 was US\$1.11 million as compared to cash flow used in investing activities of US\$1.14 million for FY2019. The cash used in investing activities for FY2020 was mainly due to the short term loans granted of US\$2.53 million and partially offset by the proceeds from the disposal of financial assets at fair value through profit and loss of US\$1.27 million.

Cash flow generated from financing activities was US\$1.99 million for FY2020 as compared to cash flow generated from financing activities of US\$0.32 million for FY2019. The cash generated from financing activities in FY2020 was mainly due to the placement of 743,611,111 new ordinary shares of the Company to raise net proceeds of S\$5.35 million (US\$3.81 million) and proceeds from borrowings of US\$2.50 million, and partially offset by repayment of borrowings and lease liabilities of total US\$3.81 million, interest paid of US\$0.30 million, and purchase of treasury shares of US\$0.22 million.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

Not applicable. No forecast or prospect statement has been previously disclosed to shareholders.

## 10. Segment information

The Group is organised into business units based on nature of the income for management purposes. The reportable segments are revenue from distribution of films, production of films and leasing of equipment.

Management monitors the operating results of its business units separately for making decisions about allocation of resources and assessment of performances of each segment.

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

	Distribution of films		Production of films		Leasing of equipment		Others		Total	
In US\$' million	FY2020	FY2019	FY2020	FY2019	FY2020	FY2019	FY2020	FY2019	FY2020	FY2019
Revenue	1.23	3.82	4.75	12.21	0.54	2.20	2.96	1.87	9.48	20.10
Cost of sales	(0.54)	(3.17)	(4.64)	(8.56)	(0.73)	(0.95)	(1.89)	(0.60)	(7.80)	(13.28)
Share of results of associated companies							(1.35)	(0.20)	(1.35)	(0.20)
Impairment loss on film production inventories	(0.58)	(0.03)							(0.58)	(0.03)
Impairment loss on fund investment	(0.10)								(0.10)	-
Impairment loss on property, plant and equipment					(0.96)				(0.96)	-
Loss on disposal of property, plant and equipment	(0.01)				(0.04)				(0.05)	-
Impairment loss on goodwill	(0.44)		(0.80)		(1.12)	(0.75)	(4.19)	(0.50)	(6.55)	(1.25)
Impairment loss on intangible assets							(4.38)	-	(4.38)	-
Impairment loss on investment in associated company							(2.53)	(0.14)	(2.53)	(0.14)
<b>Segment gross results</b>	<b>(0.44)</b>	<b>0.62</b>	<b>(0.69)</b>	<b>3.65</b>	<b>(2.31)</b>	<b>0.50</b>	<b>(11.38)</b>	<b>0.43</b>	<b>(14.82)</b>	<b>5.20</b>
Selling and general & administrative expenses (exclude depreciation and amortisation)	(0.71)	(0.96)	(2.73)	(3.06)	(0.31)	(0.55)	(1.70)	(0.47)	(5.45)	(5.04)
<b>Segment net results</b>	<b>(1.15)</b>	<b>(0.34)</b>	<b>(3.42)</b>	<b>0.59</b>	<b>(2.62)</b>	<b>(0.05)</b>	<b>(13.08)</b>	<b>(0.04)</b>	<b>(20.27)</b>	<b>0.16</b>
<b>Unallocated other income:</b>										
Other income and gains									0.72	0.44
Interest income									0.11	0.14
<b>Unallocated expenses:</b>										
Depreciation and amortisation									(1.38)	(2.62)
Other expenses									(0.11)	(0.92)
Finance costs									(0.33)	(0.29)
<b>Loss before tax</b>									<b>(21.26)</b>	<b>(3.09)</b>
Tax credit/(expense)									1.37	(0.35)
<b>Loss for the year</b>									<b>(19.89)</b>	<b>(3.44)</b>
<b>Segment assets</b>	<b>1.28</b>	<b>1.89</b>	<b>6.29</b>	<b>7.18</b>	<b>0.92</b>	<b>3.46</b>	<b>23.25</b>	<b>34.91</b>	<b>31.74</b>	<b>47.44</b>
Unallocated assets									21.72	22.68
<b>Total assets</b>									<b>53.46</b>	<b>70.12</b>
<b>Segment assets include:</b>										
Investment in associated companies	-	-	-	-	-	-	17.49	21.24	17.49	21.24
Additions to non-current assets	-	-	0.04	0.02	0.09	0.99	0.31	0.21	0.44	1.22
<b>Segment liabilities</b>	<b>0.66</b>	<b>0.97</b>	<b>2.58</b>	<b>3.14</b>	<b>0.75</b>	<b>1.60</b>	<b>1.61</b>	<b>0.48</b>	<b>5.60</b>	<b>6.19</b>
Unallocated liabilities									11.99	12.23
<b>Total liabilities</b>									<b>17.59</b>	<b>18.42</b>

**11. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.**

**Segment Revenue**

The Group's revenue for FY2020 was mainly derived from the production of films and others, which made up 50% of the Group's revenue (FY2019: 61%), revenue from sales of content, which made up 21% of the Group's revenue (FY2019: 2%) and revenue from distribution of films, which made up 13% of the Group's revenue (FY2019: 19%), which, on aggregate, made up 84% (FY2019: 82%) of the Group's revenue for FY2020.

The decrease in revenue from the production of films from US\$12.21 million in FY2019 to US\$4.75 million in FY2020 was primarily attributable to a lower share of profit for acting as the producer for *CRAZY ROMANCE* in FY2020 and the percentage-of-completion for movies produced in FY2020 was lower as compared to FY2019, mainly caused by the disruptions to the production of films due to the COVID-19 measures and restriction implemented at the filming location.

The decrease in revenue from the distribution of films from US\$3.82 million in FY2019 to US\$1.23 million in FY2020 was mainly attributable to a lower post-theatrical revenue from *LONG LIVE THE KING* and *MY FIRST CLIENT* in FY2020, as compared to that in FY2019.

The decrease in leasing of equipment to third parties by Frame Pictures of US\$1.66 million in FY2020 was due to fewer film and television drama projects in FY2020 as these projects were postponed due to the COVID-19 pandemic.

The decrease abovementioned was partially offset by an increase in sales of content of US\$1.49 million, mainly due to sale of a copyrighted artist's pictorial of US\$1.96 million.

For further details, please refer to note 8 above.

12. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

### **Film Production**

The Group's zombie thriller film, *#ALIVE*, produced by the Group's indirect wholly-owned subsidiary, Zip Cinema, was the number one Asian film on Netflix US in 2020.

The film attained number one in VOD sales at top IPTV channels in Korea such as KT's Olleh TV and Digital Cable TV Home Choice since the first day of its post-theatrical release on 28 July 2020 in Korea. *#ALIVE* was recorded as one of the first successful theatrical movie releases in the world amidst the current COVID-19 pandemic. The film surpassed the 1 million ticket sales within five days of its wide release on 24 June 2020, and was the first film to break the one million ticket sales mark since February 2020 at the Korean box office. The film is distributed by Lotte Entertainment and directed by Jo Il Hyung.

Following *#ALIVE*, the Group's upcoming major film with the working title, *BROKER*, shall be produced by Zip Cinema. To be directed by Japanese film director, Kore-eda Hirokazu, who won the 2018 Palme d'Or at the Cannes Film Festival for his film *SHOPLIFTERS*, *BROKER* will be his first ever Korean production. Popular Korean actor-singer IU shall be joining the star-studded cast in *BROKER*, which comprises Song Kang-ho, Gang Dong-won and Bae Doona.

The maiden film of the Group's indirect wholly-owned subsidiary, Studio Take, *STONE SKIPPING*, was released in Korea on 15 October 2020. The art film was produced by Studio Take, directed by Kim Jung-sik and distributed by Little Big Pictures.

Studio Take's next film, *GUARDIAN*, is expected to be released in Korea by 2021.

The Group also owns a 20% equity interest in The Makers Studio, which plans to produce and release four upcoming films, the first of which will be *THE ISLAND OF THE GHOST'S WAIL*, a comedy horror film.

### **Impact from COVID-19**

In terms of distribution, COVID-19 affected the release timing of the Group's projects such as *#ALIVE*, *STONE SKIPPING* and *GUARDIAN*. In terms of production and other related projects such as camera equipment leasing and artist-related projects, if the COVID-19 situation continues to prolong, the Group anticipates disruptions as well due to the COVID-19 measures and restrictions implemented at the workplace and the social environment.

As to the financial aspect, in the short term, investors may be less keen to invest into the movie business due to the uncertainties brought about by COVID-19. In the near future, the Group expects that participation in producing and financing film projects will continue to be challenging. However, the Group plans to pursue opportunities to produce, finance and participate in US films targeted for the global audience, in line with its intention to strategically diversify into the production and financing of US movies and to overhaul the overall direction of the Group's business.

### **Spackman Media Group**

The Group and its 43.88% associated company, SMGL, have been exploring collaboration with and discussing potential equity investment from certain potential strategic investors regarding transactions that may or may not involve the sale of a portion of the shares of SMGL owned by the Company. The Group shall keep shareholders updated of material developments in any of such discussions, as and when appropriate.

**13. Dividend**

**(a) Current Financial Period Reported On:** Any dividend declared for the current financial period reported on?

No

**(b) Corresponding Period of the Immediately Preceding Financial Year:** Any dividend declared for the corresponding period of the immediately preceding financial year?

No

**(c) Date payable:**

Not applicable.

**(d) Record date:**

Not applicable.

**14. If no dividend has been declared/recommended, a statement to that effect and reason(s) for the decision**

No dividend has been declared or recommended for FY2020. The available fund will be retained for working capital use.

**15. If the group has obtained a general mandate from shareholders for interested person transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

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

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and conducted under shareholders' mandate pursuant to Rule 920)  (S\$'000)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)  (S\$'000)
Eugene Lee (Executive Director and Chief Producer of the Company)	1,165 <sup>(1)</sup> <sup>(2)</sup>	Not applicable

Note:

(1) Equivalent to US\$828,346.

(2) Relates to total loan extended from Zip Cinema to Eugene Lee including interest due, comprising a loan of KRW200 million extended on 2 August 2017, an additional loan of KRW380 million extended on 25 October 2018, and an additional loan of KRW300 million

extended on 29 April 2020. Each of the loans have a tenure of 1 year and interest payable is at 4.6% per annum. The loans extended on 2 August 2017 and 25 October 2018 had been renewed subsequently.

**16. A breakdown of sales as follows:**

	Group		
	FY2020 (Unaudited) US\$'000	FY2019 (Audited) US\$'000	Increase / (Decrease) %
(a) Sales reported for first half year	5,558	7,075	(21)
(b) Operating loss after tax before deducting minority interests reported for first half year from continuing operations	(4,285)	(271)	NM
(c) Sales reported for second half year	3,923	13,020	(70)
(d) Operating loss after tax before deducting minority interests reported for second half year from continuing operations	(15,605)	(3,163)	NM

NM – Not meaningful

**17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:**

No dividend has been declared or recommended for FY2020 and FY2019.

**18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement**

Pursuant to Rule 704(10) of the Listing Manual Section B: Rules of Catalist of SGX-ST, the Company confirms that there is no person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a Director, Chief Executive Officer or substantial shareholder of the Company.

## 19. Use of Placement proceeds

The Company refers to the net proceeds amounting to S\$5.35 million raised from the placement of 743,611,111 new ordinary shares of the Company as announced on 27 May 2020 (the “Placement”).

The status on the use of the Placement proceeds as at the date of this announcement is as follows:

Use of proceeds	Amount allocated (S\$'000)	Amount after first reallocation <sup>(2)</sup> (S\$'000)	Amount after second reallocation <sup>(3)</sup> (S\$'000)	Amount utilized (S\$'000)	Balance (S\$'000)
New business investments and acquisitions	3,207	2,000	1,000	-	1,000
Repayment of borrowings	1,336	1,336	1,436	(1,360)	76
General working capital <sup>(1)</sup>	802	2,009	2,909	(2,423)	486
<b>Total</b>	<b>5,345</b>	<b>5,345</b>	<b>5,345</b>	<b>(3,783)</b>	<b>1,562</b>

Notes:

(1) Utilised for:

- Personnel expenses (S\$1,199,548);
- Audit and professional fees (S\$568,579);
- Rental expenses (S\$525,564); and
- Others (S\$129,542)

(2) In six months ended 30 June 2020, the Company has reallocated S\$1,207,000 for new business investments and acquisitions to general working capital to accommodate to the changing business environment.

(3) In six months ended 31 December 2020, the Company has reallocated a further S\$1,000,000 for new business investments and acquisitions to general working capital and repayment of borrowings to accommodate to the changing business environment of S\$900,000 and S\$100,000 respectively.

## 20. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company confirms that undertakings have been procured from the Board of Directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1).



**BY ORDER OF THE BOARD**

John Ko, Jihwan

CEO

Date: 1 March 2021

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

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

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