CITYNEON HOLDINGS LIMITED
(Co Regn.: 199903628E)

UNAUDITED SECOND QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2018

PART I INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF YEAR RESULT

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Income Statement

	Group					
	Second Quarter Ended 30 June		Change	Half Year Ended 30 June		Change
	2018	2017 Restated		2018	2017 Restated	
	S$'000	S$'000	%	S$'000	S$'000	%
Revenue	31,943	31,465	1.5	55,396	48,407	14.4
Cost of sales	(14,139)	(19,858)	(28.8)	(21,233)	(26,451)	(19.7)
Gross profit	**17,804**	**11,607**	53.4	**34,163**	**21,956**	55.6
Other operating income	228	238	(4.2)	518	373	38.9
Marketing and distribution expenses	(586)	(271)	116.2	(1,128)	(623)	81.1
Administrative and other operating expenses	(3,810)	(2,364)	61.2	(6,829)	(5,109)	33.7
Amortisation and depreciation expenses	(2,173)	(1,477)	47.1	(5,500)	(2,894)	90.0
Staff costs	(4,497)	(2,830)	58.9	(8,610)	(5,864)	46.8
Total operating expenses	(11,066)	(6,942)	59.4	(22,067)	(14,490)	52.3
Finance costs	(1,841)	(261)	605.4	(3,108)	(506)	514.2
Share of results of associate, net of tax	(4)	(17)	(76.5)	(4)	(92)	(95.7)
Profit before income tax	5,121	4,625	10.7	9,502	7,241	31.2
Income tax credit/(expenses)	3,884	(418)	N.M.	3,453	(845)	N.M.
Profit for the period	9,005	4,207	114.0	12,955	6,396	102.5
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss:						
Exchange difference on translation of foreign operations, net of tax amounting to $Nil (2017: $Nil)	2,359	(283)	N.M.	953	(1,961)	N.M.
Total comprehensive income for the period, net of tax	**11,364**	**3,924**	189.6	**13,908**	**4,435**	213.6
Profit attributable to:						
Owners of the parent	9,005	4,196	114.6	12,956	6,386	102.9
Non-controlling interests	-	11	(100.0)	(1)	10	(110.0)
	9,005	**4,207**	114.0	**12,955**	**6,396**	102.5
Total comprehensive income attributable to:						
Owners of the parent	11,364	3,913	190.4	13,909	4,425	214.3
Non-controlling interests	-	11	(100.0)	(1)	10	(110.0)
	11,364	3,924	189.6	13,908	4,435	213.6
Gross profit margin	55.7%	36.9%	50.9	61.7%	45.4%	35.9
Profit before tax margin	16.0%	14.7%	8.8	17.2%	15.0%	14.7
Net profit attributable to owners of the parent as a percentage of revenue	28.2%	13.3%	112.0	23.4%	13.2%	77.3

Additional Information:
Profit from operation is determined after charging/(crediting):

	2Q 2018	2Q 2017	Change %	1H 2018	1H 2017	Change %
Allowance for doubtful debt - trade	7	2	250.0	23	2	1,050.0
Amortisation expense	851	214	297.7	1,810	427	323.9
Depreciation of property, plant and equipment	1,372	1,365	0.5	3,791	2,618	44.8
Foreign exchange loss, net	543	49	1,008.2	576	394	46.2
(Gain)/Loss on disposal of property, plant and equipı	-	-	N.M.	(1)	1	N.M.
Government grants	(19)	(87)	(78.2)	(26)	(111)	(76.6)
Interest income	(9)	(5)	80.0	(22)	(24)	(8.3)
Property, plant and equipment written off	-	-	N.M.	-	8	(100.0)

Note:
N.M. - 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.

Statements of Financial Position

	Note	Group			Company	
		30 Jun 2018	31 Dec 2017	1 Jan 2017	30 Jun 2018	31 Dec 2017
			Restated	Restated		
		S$'000	S$'000	S$'000	S$'000	S$'000
ASSETS						
Non-Current						
Property, plant and equipment		90,631	80,176	43,437	-	-
Intangible assets		29,599	31,298	6,954	-	-
Goodwill		12,567	12,513	2,935	-	-
Investment in subsidiaries		-	-	-	52,447	52,447
Investment in associate		68	72	260	-	-
Prepayments		-	-	496	-	-
		132,865	124,059	54,082	52,447	52,447
Current						
Inventories		744	682	731	-	-
Contract assets		24,419	23,640	12,715	-	-
Trade and other receivables	A	54,190	63,172	28,717	102,237	80,035
Cash and cash equivalents		13,666	17,931	23,779	4,047	211
		93,019	105,425	65,942	106,284	80,246
TOTAL ASSETS		225,884	229,484	120,024	158,731	132,693
EQUITY						
Capital and Reserves						
Share capital		50,376	50,376	50,376	50,376	50,376
Reserves		20,058	6,149	11,746	805	2,265
Equity attributable to owners of the parent		70,434	56,525	62,122	51,181	52,641
Non-controlling interests		295	296	313	-	-
TOTAL EQUITY		70,729	56,821	62,435	51,181	52,641
LIABILITIES						
Non-Current						
Finance lease obligations		387	464	37	-	-
Deferred tax liabilities		5,579	10,521	809	-	-
Loan from immediate holding company		-	10,705	-	-	10,705
Borrowings and loan		64,028	23,000	-	41,028	-
		69,994	44,690	846	41,028	10,705
Current						
Contract liabilites		541	359	1,282	-	-
Trade and other payables	B	26,944	58,282	26,783	20,234	12,279
Borrowings and loan		54,441	66,523	24,717	46,288	57,068
Loan from ultimate holding company *		-	-	3,500	-	-
Finance lease obligations		112	122	24	-	-
Income tax payables		3,123	2,687	437	-	-
		85,161	127,973	56,743	66,522	69,347
TOTAL LIABILITIES		155,155	172,663	57,589	107,550	80,052
TOTAL EQUITY AND LIABILITIES		225,884	229,484	120,024	158,731	132,693

** As at 29 August 2017, Lucrum 1 Investment Limited, a consortium led by Mr. Tan Aik Ti, Ron, Executive Chairman and Group CEO of Cityneon, has completed the acquisition of 51% shares from Star Media Group Berhad and Star Media Group Berhad ceased to be the ultimate holding company of Cityneon.*

Notes to Statements of Financial Position

A Trade and other receivables

	Group			Company	
	30 Jun 2018	31 Dec 2017	1 Jan 2017	30 Jun 2018	31 Dec 2017
		Restated	Restated		
	S$'000	S$'000	S$'000	S$'000	S$'000
Trade receivables	26,874	43,053	18,086	17	17
Unbilled trade receivables	9,042	1,852	818	-	-
Other receivables	8,879	8,365	5,126	317	261
Amount owing by subsidiaries	-	-	-	101,529	79,689
Deposits	1,387	2,816	729	1	1
Prepayments	8,008	7,086	3,958	373	67
	54,190	63,172	28,717	102,237	80,035

B Trade and other payables

	Group			Company	
	30 Jun 2018	31 Dec 2017	1 Jan 2017	30 Jun 2018	31 Dec 2017
		Restated	Restated		
	S$'000	S$'000	S$'000	S$'000	S$'000
Trade payables	7,959	10,718	8,716	-	-
Deferred revenue	551	14,316	8,044	-	-
Other payables, accruals and provisions	18,434	33,249	10,023	4,000	2,518
Amount owing to subsidiaries	-	-	-	16,234	9,761
	26,944	58,283	26,783	20,234	12,279

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

		Group	
		30 Jun 2018	31 Dec 2017
		S$'000	S$'000
Amount repayable within one year:			
- secured	Note 1	13,525	26,502
- unsecured		41,028	40,143
		54,553	66,645
Amount repayable after one year but within five years:			
- secured	Note 2	64,415	23,464
- unsecured		-	10,705
		64,415	34,169

Details of any collateral

1 The bank loans are secured by leasedhold land and building, fixed deposit and corporate guarantees.
The finance lease obligations of the Group are secured by the rights to the leased motor vehicles and office equipment.

2 A loan amount of approximately SGD41,028,000 (US$30,000,000) is secured by Lucrum 1 Investment Limited's ordinary shares in the Company that has been placed into a designated securities account in favour of the Lender.

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

	Note	Group Second Quarter Ended 30 June 2018 S$'000	Group Second Quarter Ended 30 June 2017 Restated S$'000	Group Half Year Ended 30 June 2018 S$'000	Group Half Year Ended 30 June 2017 Restated S$'000
Operating Activities					
Profit before income tax		5,121	4,625	9,502	7,241
Adjustments for:					
Depreciation of property, plant and equipment		1,322	1,264	3,690	2,467
Depreciation of property, plant and equipment charged to cost of sales		50	101	101	151
Amortisation expense		851	214	1,810	427
Interest income		(9)	(5)	(22)	(24)
Interest expense		1,841	261	3,108	506
Property, plant and equipment written off		-	-	-	8
(Gain)/Loss on disposal of property, plant and equipment		-	-	(1)	1
Allowance for doubtful debt - trade		7	2	23	2
Unrealised exchange (gain)/loss		943	(134)	455	200
Share of results of associate, net of tax		4	17	4	92
Operating cash flows before working capital changes		10,130	6,345	18,670	11,071
Changes in working capital:					
Inventories		(54)	(97)	(62)	(45)
Trade and other receivables		3,809	1,622	4,752	(5,812)
Net contract assets/liabilites		(2,524)	(5,321)	(803)	(538)
Trade and other payables		(9,826)	(529)	(32,814)	(6,395)
Cash used in operations		1,535	2,020	(10,257)	(1,719)
Interest paid		(354)	(261)	(719)	(506)
Income taxes paid, net		(474)	(117)	(991)	(907)
Net cash generated from/(used in) operating activities		707	1,642	(11,967)	(3,132)
Investing Activities					
Purchase of property, plant and equipment		(6,900)	(2,929)	(8,288)	(5,394)
Proceeds from disposal of property, plant and equipment		5	-	64	-
Interest received		9	5	22	24
Net cash used in investing activities		(6,886)	(2,924)	(8,202)	(5,370)
Financing Activities					
Repayment of finance lease obligations		(28)	(18)	(90)	(41)
Proceeds of borrowings from bank and financial institution		2,998	6,469	51,752	8,153
Repayment of borrowings to bank		(17,029)	(2,169)	(25,187)	(5,173)
Repayment of loan from utimate holding company		(10,705)	-	(10,705)	-
Decreased in long-term fixed deposits		-	-	-	1,152
Net cash (used in)/generated from financing activities		(24,764)	4,282	15,770	4,091
Net (decrease)/increase in cash and cash equivalents		(30,943)	3,000	(4,399)	(4,411)
Cash and cash equivalents at beginning of the financial period		43,626	14,550	17,430	22,611
Effect of exchange rate changes on cash and cash equivalents held in foreign currencies		483	(45)	135	(695)
Cash and cash equivalents at end of the financial period	**A**	13,166	17,505	13,166	17,505

Notes:

A Cash and cash equivalents comprised of:

	Group Half Year Ended 30 June 2018 S$'000	Group Half Year Ended 30 June 2017 S$'000
Cash and bank balances	13,666	17,505
Less: bank deposit pledged	(500)	-
	13,166	17,505

1(d)(i) A statement (for the issuer and group) showing either (i) all changed 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.

Statements of Changes in Equity

Group (S$'000)	Attributable to owners of the parent								
	Share capital	Retained earnings	Statutory reserve	Share option reserve	Currencies translation reserve	Premium paid on acquisition of non-controlling interests	Total	Non-controlling interests	Total equity
2017									
As at 1 January 2017, as previously reported	**50,376**	**19,423**	**149**	**3**	**(645)**	**(10)**	**69,296**	**313**	**69,609**
Effects of adopting SFRS(I)	**-**	**(7,819)**	**-**	**-**	**645**	**-**	**(7,174)**	**-**	**(7,174)**
As at 1 January 2017 (Restated)	**50,376**	**11,604**	**149**	**3**	**-**	**(10)**	**62,122**	**313**	**62,435**
Profit for the period	-	2,190	-	-	-	-	2,190	(1)	2,189
Other comprehensive income: Exchange differences on translating foreign operations, net of tax	-	-	-	-	(1,678)	-	(1,678)	-	(1,678)
Total comprehensive income for the period	-	2,190	-	-	(1,678)	-	512	(1)	511
As at 31 March 2017 (Restated)	**50,376**	**13,794**	**149**	**3**	**(1,678)**	**(10)**	**62,634**	**312**	**62,946**
Profit for the period	-	4,196	-	-	-	-	4,196	11	4,207
Other comprehensive income: Exchange differences on translating foreign operations, net of tax	-	-	-	-	(283)	-	(283)	-	(283)
Total comprehensive income for the period	-	4,196	-	-	(283)	-	3,913	11	3,924
As at 30 June 2017 (Restated)	**50,376**	**17,990**	**149**	**3**	**(1,961)**	**(10)**	**66,547**	**323**	**66,870**
2018									
As at 1 January 2018, as previously reported	**50,376**	**36,803**	**162**	**3**	**(4,462)**	**(10)**	**82,872**	**296**	**83,168**
Effects of adopting SFRS(I)	**-**	**(27,926)**	**-**	**-**	**1,579**	**-**	**(26,347)**	**-**	**(26,347)**
As at 1 January 2018 (Restated)	**50,376**	**8,877**	**162**	**3**	**(2,883)**	**(10)**	**56,525**	**296**	**56,821**
Profit for the period	-	3,951	-	-	-	-	3,951	(1)	3,950
Other comprehensive income: Exchange differences on translating foreign operations, net of tax	-	-	-	-	(1,406)	-	(1,406)	-	(1,406)
Total comprehensive income for the period	-	3,951	-	-	(1,406)	-	2,545	(1)	2,544
As at 31 March 2018	**50,376**	**12,828**	**162**	**3**	**(4,289)**	**(10)**	**59,070**	**295**	**59,365**
Profit for the period	-	9,005	-	-	-	-	9,005	-	9,005
Other comprehensive income: Exchange differences on translating foreign operations, net of tax	-	-	-	-	2,359	-	2,359	-	2,359
Total comprehensive income for the period	-	9,005	-	-	2,359	-	11,364	-	11,364
As at 30 June 2018	**50,376**	**21,833**	**162**	**3**	**(1,930)**	**(10)**	**70,434**	**295**	**70,729**

Statements of Changes in Equity (Continued)

Company (S$'000)	Share capital	Share option reserve	Retained earnings	Total
2017				
As at 1 January 2017	**50,376**	**175**	**830**	**51,381**
Total comprehensive income for the period	-	-	(300)	(300)
As at 31 March 2017	**50,376**	**175**	**530**	**51,081**
Total comprehensive income for the period	-	-	(202)	(202)
As at 30 June 2017	**50,376**	**175**	**328**	**50,879**
2018				
As at 1 January 2018	**50,376**	**175**	**2,090**	**52,641**
Total comprehensive income for the period	-	-	(417)	(417)
As at 31 March 2018	**50,376**	**175**	**1,673**	**52,224**
Total comprehensive income for the period	-	-	(1,043)	(1,043)
As at 30 June 2018	**50,376**	**175**	**630**	**51,181**

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, 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.

Share Capital

	Group and Company			
	Number of Shares		S$	S$
	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
Issued and fully-paid	244,656,195	244,656,195	50,376,302	50,376,302

Share Options

Since the end of the previous financial year, no new share option was granted during the financial period. There were Nil (31 December 2017: Nil) share options under the Scheme granted by the Company as at 30 June 2018.

1(d)(iii) 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.

	Group and Company	
	30 Jun 2018	31 Dec 2017
Total number of issued shares excluding treasury shares	244,656,195	244,656,195

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. The Company does not have any treasury shares during and as at the end of the current financial period ended 30 June 2018.

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

Not applicable. There was no subsidiary holdings during and as at the end of the current financial period ended 30 June 2018.

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

The figures have not been audited nor reviewed by the Company's auditors.

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

Not applicable.

4 Whether the same accounting policies and method 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 reporting period compared with the audited annual financial statements for the financial year ended 31 December 2017, except for those disclosed in paragraph 5 below.

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.

On 29 May 2014, the Accounting Standards Council announced that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standard.
The Group has adopted Singapore Financial Reporting Standards (International) ("SFRS(I)") and all the new and revised standards that are effective for current period beginning on or after 1 January 2018. The relevant impacts are detailed as follows:

SFRS(I) 1 – First-time Adoption of Singapore Financial Reporting Standards (International)
On transition to SFRS(I), the Group restated comparative period financial statements to retrospectively apply SFRF(I) where applicable, except where SFRS(I) 1 specifically prohibited such retrospective applications and where optional exemption from retrospective applications were elected.
The Group elected the option to deem cumulative translation differences for foreign operations to be zero on 1 January 2017, and accordingly, has reclassified S$645,000 of foreign currency translation reserve to the opening retained earnings as at 1 January 2017.

SFRS(I) 15 – Revenue from Contracts with Customers
The Group adopted SFRS(I) 15 using the full retrospective approach and applied all practical expedients available. Under the application for SFRS(I) 15, the opening retained earnings of the Group has decreased by S$26.8m, the translation reserve has increased by S$0.5m, trade and other payables increased by S$13.6m and trade and other receivables decreased by S$12.7m.

6 **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends (a) based on the weighted average number of ordinary shares on issued and (b) on a fully diluted basis (detailing any adjustments made to the earnings).**

	Group Second Quarter Ended 30 June		Group Half Year Ended 30 June	
	2018 (cents)	2017 Restated (cents)	2018 (cents)	2017 Restated (cents)
EPS (based on consolidated net profit attributable to owners of the parent)				
- Basic earnings per share (cents)	3.7	1.7	5.3	2.6
- Diluted earnings per share (cents)	3.7	1.7	5.3	2.6

Note

1 Basic earnings per share is calculated by dividing profit for the financial period attributable to owners of the parent by the weighted average number of ordinary shares in issue of 244,656,195 (30 June 2017: 244,656,195) during the financial period.

2 Diluted earnings per share is computed based on the weighted average number of ordinary shares after adjusting for the effects of potential dilutive ordinary shares is 244,656,195 (30 June 2017: 244,682,625) for the financial period.

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

NET ASSET VALUE PER SHARE	Group		Company	
	30 Jun 2018 (cents)	31 Dec 2017 Restated (cents)	30 Jun 2018 (cents)	31 Dec 2017 (cents)
Net assets value per share based on existing issued share capital as at the respective	28.8	23.1	20.9	21.5

Net asset value per share is computed based on the number of issued shares of 244,656,195 as at 30 June 2018 (31 December 2017: 244,656,195).

8 **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. Any material factors that affected the cash flows, working capital, assets or liabilities of the group during the current financial period reported on.**

Revenue

1H2018 vs 1H2017

The Group's 6-month revenue for period ended 30 June 2018 ("1H2018") increased by 14.4% to S$55.4m from S$48.4m recorded a year ago ("1H2017"). The increase was approximately S$7.0m.

The major revenue movements are as follows:

1. Increased revenue contributions as a result of better performance in Avengers S.T.A.T.I.O.N. Las Vegas' ("AVG1") revenue year-on-year (YOY).
2. Increased contributions from Intellectual Properties Experiences ("IPE") business segment as results of the new additional revenue contributions from Avengers S.T.A.T.I.O.N. Set 3 ("AVG3"), Avenger S.T.A.T.I.O.N. Set 4 ("AVG4"), Transformers Autobot Alliance Set 1 ("TF1") and Jurassic World - The Exhibition ("JW1"). There were only two Avengers S.T.A.T.I.O.N. sets ("AVG1" and "AVG2") in operation during 1H2017.
3. IPE business segment increased by 91.6% in revenue YOY against 1H2017.
4. Opening of AVG2 in Melbourne, Australia (operated by Disney Australia & New Zealand), AVG3 in Moscow, Russia, AVG4 in Norrkoping, Sweden, TF1 in Chong Qing, China, and JW1 in Paris, France contributed to the half year revenue increases.
5. Approximately up to 75% completion and revenue recognized for the Group Brunei's Project for the Legacy Business. The project is expected to be fully completed in 4Q2018.
6. Improved performance in the Group's Singapore Exhibitions business with revenue increament of 30% YOY against 1H2017. However, there has been a decrease in Legacy Business' overall revenue contribution – from 68.7% in 1H2017 to less than 47.5% of the revenue in 1H2018. The trend is expected to continue as the Group undergoes transformation.

As a result, the IPE business segments contributed 52.5% of the total revenue in 1H2018, and the Gross Profit ("GP") increased by 55.6% from S$22.0m in 1H2017 to S$34.2m in 1H2018 – due to the higher revenue contribution from IPE business segments. In the same corresponding period, IPE business segment contributed only about 31.3% of the revenue in 1H2017. The aggregate Gross Profit Margin ("GPM") improved from 45.4% in 1H2017 to 61.7% in 1H2018 as result of the higher revenue contribution from the IPE business segments.

Other Operating Income

1H2018 vs 1H2017

Other operating income increased by S$0.1m in 1H2018 mainly due to rental income generated from office units rented out in the Cityneon Building. This is expected to increase in contribution for FY2018 as a result of the acquisition of Cityneon Building in December 2017. The building achieved 100% occupancy and was 30% leased out to other tenants.

Operating Expenses

1H2018 vs 1H2017
Marketing and distribution expenses

Marketing and distribution expenses increased by S$0.5m or 81.1% in 1H2018 mainly due to one-off cost incurred in the corporate rebranding exercise undertaken by the Group of S$0.2m. There had also been increased travelling and marketing costs as a results of increased IPE businesses in various parts of the world.

Administrative and other operating expenses

Administrative and other operating expenses increased by S$1.7m from S$5.1m in 1H2017 to S$6.8m in 1H2018. The increase was mainly due to the following:

1. Increased professional fees as a result of various one-off expenses, including: recruitment expenses for the creative team, Group's compensation and benefits analysis, restructuring exercise, and legal fees pertaining to loans arrangement. Other increased professional fees include the higher audit fees as result of expanded scope of the Group's businesses.
2. Newly incurred property taxes as result of the acquisition of the new Cityneon Building in December 2017.
3. Additional and one-off freight charges incurred for the shipment of traveling exhibitions in the IPE business segments – including the take over of the exhibition sets for Lionsgate's Hunger Games: The Exhibition ("HG1") and Universal's JW1.
4. Foreign exchange losses as result of unfavourable USD movements against SGD.

Amortisation and depreciation expenses

The Group's Amortisation expense increased by S$1.4m from S$0.4m in 1H2017 to S$1.8m in 1H2018 due to the provision for the intangible assets as result of the acquisition of the new Jurassic World IP (JP Exhibition LLC) in FY2017 for the Group to be able to exploit the Jurassic World Intellectual Property under Universal globally.

The Group's depreciation expenses increased by 48.0% or S$1.2m from S$2.5m in 1H2017 to S$3.7m in 1H2018. The increase was due to:

1. The opening of 3 new exhibition sets in 1H2018 – AVG3, AVG4 and TF1, as compared to 2 exhibitions sets in 1H2017 of AVG1 and AVG2;
2. The depreciation of the newly acquired JW1 set in 1H2018; and
3. The depreciation of the newly acquired Cityneon Building in December 2017.

The newly acquired Lionsgate's HG1 was not accounted for as depreciation item as the set was negotiated and provided to the Group at zero costs for its exploitation.

Staff costs

Staff costs increased by S$2.7m to S$8.6m from S$5.9m as a result of:

1. An increase in headcount with the acquisition of JP Exhibition LLC – technical expertise to maintain and operate the dinosaurs in JW1.
2. Expanded creative team primarily in the Group's Las Vegas office, including the newly appointed Group Chief Creative Officer – in line with Group's strategy of shifting from Legacy Business to that of Creative Business.
3. Expanded operations and technical resources to cater to four new exhibitions sets as compared to 1H2017 (AVG3, AVG4, TF1, JW1).
4. Strengthened corporate team with the hiring of senior management personnel in Corporate, Human Resources and Finance.

Finance costs

Finance cost increased by approximately S$2.6m from S$0.5m in 1H2017 to S$3.1m in 1H2018 as result of interests incurred for:

1. New China Construction Bank Corporation (Triple Wise Assets Holdings Ltd) loan of US$30m for the acquisition of JP Exhibition LLC in 4Q2017.
2. New Financial Institution Loan of US$30m for the construction and update of four new exhibitions sets – AVG3, AVG4, TF1, JW1 and for the preparation of the opening (creative, design, installation) of HG1 at MGM Las Vegas by 4Q2018.
3. Project financing for the completion of Brunei's Project for the Legacy Business – expected in 4Q2018.
4. New Property Loan of S$23.0m for the Cityneon Building acquired in December 2017.

Income tax expenses

As a result of the reduced corporate tax rate of 21% (w.e.f. 1 Jan 2018) in the United States of America under the Trump's Administration, the Group was able to recognise a S$4.5m write back of deferred tax liabilities pertaining to its IP licenses categorized as intangible assets on its balance sheet. The one-off write back resulted in a positive S$3.5m tax credit for the Group in 1H2018. The lower tax rate of 21% will benefit the Group on an ongoing basis.

EBITDA & profit for the period

	Group			Group		
	Second Quarter Ended 30 June		Change	Half Year Ended 30 June		Change
	2018 S$'000	2017 S$'000	%	2018 S$'000	2017 S$'000	%
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	9,135	6,363	43.6	18,110	10,641	70.2

In 1H2018, the EBITDA of the Group increased by 70.2% from S$10.6m in 1H2017 to S$18.1m in 1H2018. This is the highest EBITDA achieved on a first half basis by the Group.

Net profit after tax registered a 102.5% increase of S$6.6m from S$6.4m in 1H2017 to S$13.0m in 1H2018. This is also the historical highest one half profits achieved by the Group.

Review of Financial Position

The net assets value ("NAV") of the Group as at 30 June 2018 was S$70.0m which translates into 28.8 cents per ordinary share, representing a 24.7% increase from 31 December 2017 ("FY2017").

The major movements in balance sheet items are summarised as follows:

Assets

(i) Increase in Property, Plant & Equipment ("PPE") from S$80.2m to S$90.6m was mainly due to the newly constructed and commissioned exhibitions sets – AVG4 and TF1 – in the period under review.

(ii) The reduction in intangible asset of S$1.7m was due to the amortisation already taken into account in the Group's Profit & Loss ("P&L") in the period under review.

(iii) Net Contract Assets/Liabilities increased marginally by S$0.6m as result of more contract work completed vis-à-vis the Legacy Business' billing milestones.

(iv) Trade and other receivables decreased by S$9.0m or 16.6% from S$63.2m as at 31 December 2017 to S$54.2m as at 30 June 2018 as a result of successful partial collections for the Brunei's Project and scheduled payments received from the Group's other IPE customers.

Out of the S$54.2m, the Trade debtors as at 30 June 2018 stood at S$26.9m (49.6% of total trade and other receivables), a significant decrease of 37.6% from S$43.1m – as a result of successful collections in the period under review of the Legacy Business Brunei's Project and the scheduled payments of the IPE business segments.

Prepayments (for royalties and leases) and deposits also contributed another S$9.4m (17%) of the total trade and other receivables of the Group.

(v) Cash and cash equivalent decreased from S$17.9m to S$13.7m as a result of:
a. Advanced payments for the completion of the Group's Legacy business of the Brunei's Project, due for completion in 4Q2018.
b. Group's additional investments in 2 new exhibition sets – AVG4 and TF1,
c. Group's preparation for the opening of HG1 at MGM Las Vegas 2H2018, and
d. Group's initial investments for design and construction of JW2.

Liabilities

(i) Trade and other payables decreased significantly by S$31.4m or 53.8% from S$58.3m to S$26.9m as results of:
a. Advanced payments made for the completion of the Group's Legacy Business of the Brunei's Project, due for completion in 4Q2018.
b. Payment of the contingent consideration on acquisition of JP Exhibition LLC.
c. Recognition of deferred revenue in 1H2018.

As at 30 June 2018, the Group's payables stood at S$8.0m (29.5% of total Trade and Other Payables) – primarily for the Group's Legacy Business segment.

(ii) Non-current borrowings and loan increased from S$33.7m to S$64.0m, while current borrowing decreased from S$66.5m to S$54.4m as at 30 June 2018. The movements on the borrowings are summarized as below:

a. The total borrowings of the Group stood at S$118.4m as of 30 June 2018. The breakdown is as follow –
  i. US$30m from China Construction Bank Corporation (Triple Wise Assets Holdings Ltd) – for purpose of JP Exhibition LLC acquisition in FY2017 – for the global rights of Universal Studio's Jurassic World IP and the exhibition set JW1.
  ii. US$30m from Financial Institution –
    - For the consolidation and repayments of loans post Lucrum 1's acquisition of shares from Star Media Group in August 2017.
    - Design, upgrade and build of new exhibition sets to increase from the Group's two Avengers S.T.A.T.I.O.N. sets in 1H2017 to seven exhibitions sets (Avengers S.T.A.T.I.O.N., Transformers Autobot Alliance, Jurassic World - The Exhibition, The Hunger Games: The Exhibition) as at 30 June 2018.
    - Advanced payments for the construction for JW2. The Group is in the process to commission the design and build of JW3 and JW4 in 3Q2018.
    - Advance payment for the completion of the Brunei's Project for the Legacy Business in 4Q2018.

b. S$23.0m from Hong Leong Finance – for the acquisition of Cityneon Building.
c. S$13.0m from other banks – for the regular financing of the Group's Legacy Business segment.

Cash Flow Review

As at 30 June 2018, the Group recorded positive operating cash flow before working capital changes of S$18.7 m as compared to S$11.1m in 1H2017. The major movements in the changes in working capital are:

(i) Reduction of S$16.2m of trade receivables in 2Q2018 as results of successful collection of partial payment of the Legacy Business Brunei's Project and scheduled payments of License Fees of the various IPE contracts. This resulted in the improvement in trade and other receivables of S$4.8m in 1H2018 as compared to negative S$5.8m in 1H2017.

(ii) Significant increase in the trade and other payables of S$32.8m is as a result of advanced payments made for the completion of the Group's Legacy business of the Brunei's Project due for completion in 4Q2018, payment of the contingent consideration on acquisition of JP Exhibition LLC and the recognition of deferred revenue in 1H2018.

As a result, the net cash used in operating activities was S$11.9m.

The Group recorded net cash used in investing activities of S$8.2m in 1H2018 due to the:

(i) Design and construction of AVG4.

(ii) Design and construction of TF1.

(iii) Continued upgrade of the existing AVG1, AVG2, and AVG3 in line with the latest Marvel Studios' movie releases (Black Panther, Infinity Stones, Thanos, WASP).

(iv) Commenced design and build of JW2.

In 1H2018, the Group recorded net cash generated from financing activities of S$15.8m. The major movements include:

(i) Drawdown of S$51.7m of loan from China Construction Bank Corporation and other financial institutions.

(ii) Repayment of current borrowings of S$25.2m.

(iii) Repayment of shareholder loans of S$10.7m procured from Lucrum 1 during the bridging period when Lucrum 1 acquired its shares from Star Media Group in 2H2017.

As a result of the above, the Group's cash and cash equivalents at the end of 30 June 2018 stood at S$13.2m.

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

There is no forecast or prospect statement previously disclosed to shareholders.

10 **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.**

The Group has grown from one exhibition set (AVG1) when it acquired VHE in September 2015 to today's seven exhibition sets (AVG1, AVG2, AVG3, AVG4, TF1, JW1, and HG1) exhibiting in different parts of the world. The Group's IP exhibition sets had travelled to 16 different cities globally, with twenty-one visits (with some cities more than once).

- o North America – 6 cities, 7 visits.
- o Europe – 3 cities, 4 visits.
- o Asia Pacific – 7 cities, 10 visits.

For the rest of 2H2018, the Group has also scheduled the following travel routes for its exhibition sets:

- o AVG2 – Shanghai, China
- o AVG4 – London, United Kingdom
- o TF1 – Jeju, Korea
- o JW1 – Madrid, Spain

The Group has planned its tour schedules for all its Avengers S.T.A.T.I.O.N. and Transformers Autobots Alliance exhibition sets for the rest of 2019, and is in the process of concluding a long-term touring deal for its JW1 exhibition set in North Asia, after Madrid, Spain.

In addition, the Group is expecting to open the HG1 exhibition set in MGM Las Vegas in 4Q2018 – making this the 2nd semi-permanent installation for the Group in Las Vegas, USA. The opening of HG1 will leverage on the current Group's stronger performances of its AVG1 set at Treasure Island, Las Vegas, USA since June of 2016. We expect further improvements in economies of scale in Las Vegas as a result.

The Group has also announced the design and construction of JW2 – and has plans to open the exhibition set (JW2) in Las Vegas, USA, in time for Jurassic World 3 movie in 2021. The Group intends to complete the design and construction of TF2 for the re-opening of the experiences in China in 2019.

The Group is currently in discussion for the 5th Intellectual Property and is expecting to conclude its negotiations in the next few months.

The Group is still in the process of transforming its business from that of the Legacy's to one of Intellectual Property and Creative and Design led business. As of 1H2018, the revenue contribution from the Legacy Business has gone below 50% (at about 44%) for the first time in history for the Group's first-half financial period, and we expect the trend to continue through the future financial periods.

As part of this transition process and strategic review, the Group may undertake preliminary discussions with various parties to evaluate the viability of options available with a view to enhance and unlock shareholder value.

11 **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) Books closure date

Not Applicable

12 **If no dividend has been declared / recommended, a statement to that effect**

No dividend has been declared or recommended for the current financial period ended 30 June 2018.

13 **Interested Person Transactions**

Name of Interested Person	Aggregate value of all interested person transactions during the year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
	$'000	**$'000**
Lucrum 1 Investment Limited (interest on Shareholder's loan)	223	NA

14 Confirmation by the Board pursuant to Rule 705(5) of the listing manual

We, Tan Aik Ti, Ron, the Executive Chairman and Group Chief Executive Officer and Hooi Hing Lee, the Lead Independent, Non-executive Director of Cityneon Holdings Limited (the "Company"), do hereby confirm, for and on behalf of the Board of Directors of the Company, that, to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited half year results for the financial period ended 30 June 2018 to be false or misleading in any material aspect.

For and on behalf of the Board of Directors

Tan Aik Ti, Ron	**Hooi Hing Lee**
Executive Chairman and Group Chief Executive Officer	Lead Independent, Non-executive Director

15 Confirmation that issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1) of the SGX Listing Manual.

The Company has procured undertakings from all directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

16 Directors' responsibilities

The Directors of the Company (including those who have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this announcement are fair and accurate and that there are no material facts not contained in this announcement, the omission of which would make any statement in this announcement misleading, and they jointly and severally accept responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors of the Company has been to ensure that, through reasonable enquiries, such information is accurately extracted from such sources or, as the case may be, accurately reflected or reproduced in this announcement.”

ON BEHALF OF THE BOARD

Tan Aik Ti, Ron
Executive Chairman and Group Chief Executive Officer
13 Aug 2018