

MM2 ASIA LTD.

(Company Registration No. 201424372N)
(Incorporated in the Republic of Singapore)

**FINANCIAL STATEMENT ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 SEPTEMBER
2016**

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Hong Leong Finance (the "**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). 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 correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the sponsor is Mr. Tang Yeng Yuen, Vice President, Head of Corporate Finance, at 16 Raffles Quay, #40-01A Hong Leong Building, Singapore 048581. Telephone (65) 6415 9886.

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEARLY AND FULL YEAR ANNOUNCEMENTS

- 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 6 months ended		Change %
	30 Sep 2016 HY2017 (Unaudited) SGD'000	30 Sep 2015 HY2016 (Unaudited) SGD'000	
Revenue	35,034	12,696	176%
Cost of sales	(15,276)	(4,304)	255%
Gross profit	19,758	8,392	135%
Other income	176	*	NM
Other (losses)/gain - net	(220)	25	-980%
Expenses			
- Administrative	(8,550)	(2,962)	189%
- Finance	(313)	(41)	663%
	(8,863)	(3,003)	195%
Share of profit of associated company	-	2	-100%
Profit before income tax	10,851	5,416	100%
Income tax expense	(2,001)	(915)	119%
Net profit	8,850	4,501	97%
Other comprehensive income, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation difference arising from consolidation - losses	(17)	(472)	-96%
Total comprehensive income	8,833	4,029	119%
Profit attributable to :			
Equity holders of the Company	7,835	4,018	95%
Non-controlling interests	1,015	483	110%
	8,850	4,501	97%
Total comprehensive income attributable to :			
Equity holders of the Company	7,838	3,546	121%
Non-controlling interests	995	483	106%
	8,833	4,029	119%

NM - not meaningful

* Less than \$1,000.

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

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

	30 Sep 2016 HY2017 (Unaudited) SGD'000	Group 6 months ended 30 Sep 2015 HY2016 (Unaudited) SGD'000	Change %
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Notes to Consolidated Statement of Comprehensive Income

Personnel expenses ⁽¹⁾	3,098	1,762	76%
Travelling expenses	111	77	44%
Finance costs	313	41	663%
Depreciation	519	124	319%
Entertainment	39	35	11%
Rental expenses	1,281	160	701%
Utilities	416	22	1791%
Professional fee	974	671	45%
Amortisation costs	2,062	1,159	78%
Loss on disposal of property, plant & equipment	1	-	NM
Interest income	(11)	*	NM
Other income	(166)	-	NM
Foreign exchange loss/(gain), net	219	(25)	-976%

NM - not meaningful

* Less than \$1,000.

⁽¹⁾ Directors' performance bonus forms part of the personnel expenses.

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	
	30 Sep 2016 (Unaudited) SGD'000	31 Mar 2016 (Audited) SGD'000	30 Sep 2016 (Unaudited) SGD'000	31 Mar 2016 (Audited) SGD'000
ASSETS				
Current assets				
Cash and cash equivalents	18,402	4,743	5,007	343
Trade and other receivables	43,074	24,416	42,296	21,966
Inventories and work-in-progress	592	264	-	-
Film products and films under production	26,552	9,831	-	-
	<u>88,620</u>	<u>39,254</u>	<u>47,303</u>	<u>22,309</u>
Non-current assets				
Property, plant and equipment	5,700	3,648	-	-
Intangible assets	55,968	25,283	-	-
Investment in subsidiary corporations	-	-	65,258	38,328
Investment in a joint venture ⁽¹⁾	128	-	128	-
Available-for-sale financial assets	250	250	-	-
Deferred income tax assets	524	550	-	-
	<u>62,570</u>	<u>29,731</u>	<u>65,386</u>	<u>38,328</u>
Total assets	<u>151,190</u>	<u>68,985</u>	<u>112,689</u>	<u>60,637</u>
LIABILITIES				
Current Liabilities				
Trade and other payables	54,602	23,805	22,838	1,656
Current income tax liabilities	4,443	3,051	384	-
Deferred income	2,385	557	-	-
Progress billing in excess of work-in-progress	865	604	-	-
Borrowings	8,600	232	-	-
	<u>70,895</u>	<u>28,249</u>	<u>23,222</u>	<u>1,656</u>
Non-current liabilities				
Borrowings	660	2,817	-	2,154
Deferred income tax liabilities	849	754	-	-
	<u>1,509</u>	<u>3,571</u>	<u>-</u>	<u>2,154</u>
Total liabilities	<u>72,404</u>	<u>31,820</u>	<u>23,222</u>	<u>3,810</u>
NET ASSETS	<u>78,786</u>	<u>37,165</u>	<u>89,467</u>	<u>56,827</u>
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	88,212	56,982	88,213	56,982
Other reserves	(38,124)	(37,655)	-	446
Retained profits/(accumulated losses)	24,695	16,860	1,254	(601)
	<u>74,783</u>	<u>36,187</u>	<u>89,467</u>	<u>56,827</u>
Non-controlling interests	4,003	978	-	-
Total equity	<u>78,786</u>	<u>37,165</u>	<u>89,467</u>	<u>56,827</u>

* Less than \$1,000.

⁽¹⁾ The classification of the entity is subjected to further assessment by management.

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

Amount repayable in one year or less or on demand

As at 30 September 2016		As at 31 March 2016	
(Unaudited)		(Audited)	
Secured SGD'000	Unsecured SGD'000	Secured SGD'000	Unsecured SGD'000
8,600	-	232	-

Amount repayable after one year

As at 30 September 2016		As at 31 March 2016	
(Unaudited)		(Audited)	
Secured SGD'000	Unsecured SGD'000	Secured SGD'000	Unsecured SGD'000
660	-	663	2,154

Details of any collateral

The Group's secured portion of borrowings are secured by deeds of guarantee and indemnities, joint and several personal guarantees provided by our CEO and Controlling Shareholder, Melvin Ang, and our Management Officers, Angelin Ong, Kent Chan, Lee Hoon Hwee, Hong Wei Chien and Yeo Eng Pu, Charles.

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

	Group 6 months ended	
	30 Sep 2016 HY2017 (Unaudited) SGD'000	30 Sep 2015 HY2016 (Unaudited) SGD'000
Cash flows from operating activities		
Net profit	8,850	4,501
Adjustments for:		
- Income tax expense	2,001	915
- Depreciation of property, plant & equipment	519	124
- Interest income	(11)	*
- Interest expense	387	41
- Amortisation of film rights	1,926	1,159
- Amortisation of film inventories	137	-
- Share of profit of associated company	-	(2)
- Loss on disposal of property, plant & equipment	1	-
- Unrealised currency translation losses/(gains)	140	(408)
	<u>13,950</u>	<u>6,330</u>
Change in working capital, net of effects from acquisition of subsidiary corporations:		
- Film products and films under production	(16,720)	(6,058)
- Intangibles assets	(1,643)	-
- Inventories and work-in-progress	(69)	-
- Trade and other receivables	(4,130)	(1,385)
- Trade and other payables	6,401	(3,102)
- Deferred income	1,828	1,887
Cash used in operations	<u>(382)</u>	<u>(2,328)</u>
Income tax paid	<u>(763)</u>	<u>(60)</u>
Net cash used in operating activities	<u>(1,145)</u>	<u>(2,388)</u>
Cash flows from investing activities		
Acquisition of a subsidiary corporation, net of cash acquired	(6,000) ⁽¹⁾	(600)
Incorporation of a joint venture	(128)	-
Additions of script rights	(411)	-
Additions to intangible assets	(6)	-
Additions to property, plant and equipment	(356)	(286)
Proceeds from disposal of property, plant and equipment	*	-
Purchase of business assets	(11,229)	(2,658)
Purchase of available-for-sale financial assets	-	(125)
Interest received	11	*
Net cash used in investing activities	<u>(18,119)</u>	<u>(3,669)</u>
Cash flows from financing activities		
Fixed deposit pledged to bank	49	-
Proceeds from issuance of shares	18,040	-
Proceeds from issuance of convertible bonds	7,500	6,675
Proceeds from borrowings	8,451	128
Repayment of borrowings	(636)	(78)
Repayment of lease liabilities	(19)	(21)
Interest paid	(309)	(20)
Net cash provided by financing activities	<u>33,076</u>	<u>6,684</u>
Net increase in cash and cash equivalents	13,812	627
Exchange effects on cash and cash equivalents	(15)	-
Beginning of financial year	<u>4,132</u>	<u>5,674</u>
End of financial year	<u><u>17,929</u></u>	<u><u>6,301</u></u>

* Less than \$1,000.

⁽¹⁾ Out of the total purchase consideration of S\$26,000,000, initial payment of S\$6,000,000 was paid to the sellers during the year.

- 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

	Group	
	6 months ended	
	30 Sep 2016	30 Sep 2015
	HY2017	HY2016
	(Unaudited)	(Unaudited)
	SGD'000	SGD'000
	<hr/>	<hr/>
Cash and cash equivalents comprise:		
Cash and bank balances	17,929	6,386
Fixed deposits	473	71
	<hr/>	<hr/>
	18,402	6,457
	<hr/>	<hr/>
Cash and Cash equivalents		
Cash and bank balances (as above (b)(i))	18,402	6,457
Less : Bank deposits pledged	(473)	(71)
Less : Bank overdrafts	-	(85)
	<hr/>	<hr/>
Cash and cash equivalents per consolidated statement of cash flows	17,929	6,301
	<hr/>	<hr/>

- 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

<----- Attributable to equity holders of the Group ----->

Group (Unaudited)	Share capital SGD'000	Other reserves SGD'000	Distributable		Non-controlling interests SGD'000	Total equity SGD'000
			retained earnings SGD'000	Total SGD'000		
Balance as at 1 April 2016	56,982	(37,655)	16,860	36,187	978	37,165
Profit for the year	-	-	7,835	7,835	1,015	8,850
Other comprehensive loss for the year	-	(17)	-	(17)	-	(17)
	56,982	(37,672)	24,695	44,005	1,993	45,998
Convertible bond-equity component	-	(446)	-	(446)	-	(446)
Net asset retained by non-controlling interest upon acquisition of a subsidiary corporation	-	(6)	-	(6)	-	(6)
Non-controlling interest arising from acquisition of a subsidiary corporation	-	-	-	-	2,010	2,010
Issuance of new shares pursuant to conversion of exchangeable notes	2,644	-	-	2,644	-	2,644
Issuance of new shares pursuant to conversion of convertible notes	7,534	-	-	7,534	-	7,534
Issuance of new shares pursuant to placement agreement with Starhub Ltd	18,040	-	-	18,040	-	18,040
Issuance of new shares pursuant to acquire business from Mega Cinemas Management Sdn Bhd	3,012	-	-	3,012	-	3,012
Balance as at 30 September 2016	88,212	(38,124)	24,695	74,783	4,003	78,786
Group (Unaudited)						
Balance as at 1 April 2015	47,884	(37,387)	8,684	19,181	-	19,181
Profit for the year	-	-	4,018	4,018	483	4,501
Other comprehensive loss for the year	-	(472)	-	(472)	-	(472)
	47,884	(37,859)	12,702	22,727	483	23,210
Acquisition of subsidiary corporation	-	-	-	-	98	98
Balance as at 30 September 2015	47,884	(37,859)	12,702	22,727	581	23,308

- 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

Company (Unaudited)	<----- Attributable to equity holders of the Company ----->					Non-controlling interest SGD'000	Total equity SGD'000
	Share capital SGD'000	Other reserves SGD'000	(Accumulated losses)/retained earnings SGD'000	Total SGD'000			
Balance as at 1 April 2016	56,982	446	(601)	56,827	-	56,827	
Profit for the year	-	-	1,856	1,856	-	1,856	
	56,982	446	1,255	58,683	-	58,683	
Convertible bond-equity component	-	(446)	-	(446)	-	(446)	
Issuance of new shares pursuant to conversion of exchangeable notes	2,644	-	-	2,644	-	2,644	
Issuance of new shares pursuant to conversion of convertible notes	7,534	-	-	7,534	-	7,534	
Issuance of new shares pursuant to placement agreement with Starhub Ltd	18,040	-	-	18,040	-	18,040	
Issuance of new shares pursuant to acquire business from Mega Cinemas Management Sdn Bhd	3,011	-	-	3,011	-	3,011	
Balance as at 30 September 2016	88,211	-	1,255	89,466	-	89,466	
Company (Unaudited)							
Balance as at 1 April 2015	47,884	-	(483)	47,401	-	47,401	
Loss for the year	-	-	(49)	(49)	-	(49)	
Balance as at 30 September 2015	47,884	-	(532)	47,352	-	47,352	

- 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 also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.

Shares Capital - Ordinary Shares

	Number of shares	Issued and paid-up share capital (S\$)
Ordinary shares of the Company		
As at 30 September 2016	523,890,710	88,211,923
As at 31 March 2016	442,264,888	56,981,767

Outstanding Convertibles

	Number of shares that may be issued on conversion	Principal amount (S\$)
Exchangeable notes - A right		
As at 30 September 2016	-	-
As at 31 March 2016	9,517,857 ^{(1) (2)}	2,600,000

(1) Based on the maximum number of the Company's new shares to be issued on Exchange-A, which is determined by dividing the aggregate of (i) the principal amount of the Note to be converted and (ii) all unpaid Accrued Interest (2.5%) up to and including the date of conversion, by the **Exchange-A Price**.

Exchange-A Price: S\$0.5635, which is 112.5% of the volume-weighted average price of the Company's shares (as quoted on the SGX-ST) for the previous 15 Trading Days prior to, but excluding, the date of the Agreement, being the price at which the Company's new shares will be issued upon Exchange-A.

(2) Pursuant to the Share Split, the new exchange price of the outstanding S\$2,600,000 in aggregate principal amount of exchangeable notes are exchanged into Shares has been adjusted from S\$0.5635 to S\$0.28. This figure represents the maximum number of additional Shares that may be issued arising from such adjustment of exchange price.

The Company did not have any outstanding options, convertibles or treasury shares as at 30 September 2016.

- (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.

	<u>30 Sep 2016</u>	<u>31 Mar 2016</u>
Total number of issued shares	<u>523,890,710</u>	<u>442,264,888</u>

The Company did not have any treasury shares as at 30 September 2016 and 31 March 2016.

- (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 did not have any treasury shares during and as at the end of the current financial year 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 auditors of the Company.

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

Not applicable.

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 Group's financial statements for the current financial period compared to the audited financial statements for the financial year ended 30 September 2016, except for the adoption of the new and revised Financial Reporting Standards which became effective for the financial period beginning on or after 1 April 2016. The adoption of these new and revised accounting standards did not give rise to any significant impact on the financial statements for the financial year ending 30 September 2016, as 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.

The Group has adopted all new and revised Singapore Financial Reporting Standards ("FRS") and Interpretations of FRS ("Int FRS") that are relevant to its operations and effective for the financial period on or after 1 April 2016, where applicable. The adoption of these new and revised standards from the effective date is not expected to result in any material adjustments to the financial statements of the Group for the current financial reporting period.

6 Earnings 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 6 months ended 30 Sep 2016 HY2017	Group 6 months ended 30 Sep 2015 HY2016
Earnings per share ("EPS")		
Profit attributable to shareholders of the Company (S\$)	7,836,913	4,018,086
Weighted average number of ordinary share in issue	523,890,710	206,729,032
Basic EPS (S\$) ⁽¹⁾	0.01	0.02
Weighted average number of ordinary share in issue + number of shares that may be issued on conversion of outstanding convertibles	523,890,710	219,606,284
Fully diluted basis EPS (S\$) ⁽²⁾	0.01	0.02

Notes:

(1) The basic EPS 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 fully diluted basis EPS of the Group for the respective periods was calculated based on the weighted average number of ordinary shares in issue plus number of shares that may be issued on conversion of outstanding convertibles for the respective periods.

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 period reported on; and
(b) Immediately preceding financial year.**

	Group		Company	
	30 Sep 2016	31 Mar 2016	30 Sep 2016	31 Mar 2016
Net asset value (S\$)	78,786,328	37,164,867	89,466,372	56,826,634
Number of ordinary shares in issue	523,890,710	442,264,888	523,890,710	442,264,888
Net asset value per ordinary share (S\$)	0.15	0.08	0.17	0.13

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 period 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 period reported on.

REVIEW OF FINANCIAL PERFORMANCE (CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME)

Revenue

HY2017 vs HY2016

Our Group's revenue increased by S\$22.3 million or 175.6% , from S\$12.7 million in HY2016, to approximately S\$35.0 million in HY2017. The increase was mainly due to additional revenue generated from a newly acquired subsidiary corporation during the year, which recorded event and concert promotion of S\$5.2 million and additional revenue generated from cinema business during the period which recorded distribution (Cinema operations) revenue of S\$6.1 million. On top of that, the revenue of our core business increased by S\$11.1 million or 104.7%, from S\$10.6 million in HY2016, to approximately S\$21.7 million in HY2017.

Cost of sales

HY2017 vs HY2016

Cost of sales increased by S\$10.9 million or 253.5%, from S\$4.3 million in HY2016 to S\$15.2 million in HY2017. The increase was mainly due to additional costs incurred by a newly acquired subsidiary corporation during the year, which recorded event and concert promotion cost of S\$2.5 million, and additional costs incurred by cinema business during the year which recorded distribution (Cinema operation) costs of S\$2.5 million. On top of that, the cost of sales attributable to our post production business increased by S\$0.4 million or 133.3%, from S\$0.3 million in HY2016, to approximately S\$0.7 million in HY2017 whereas the cost of sales attributable to our core business increased by S\$5.5 million or 137.5%, from S\$4.0 million in HY2016, to approximately S\$9.5 million in HY2017.

Amortisation of Film rights increased by S\$0.7 million from HY2016 to HY2017.

Gross profit / Operating profit

HY2017 vs HY2016

Our gross profit increased by S\$11.4 million or 135.7%, from S\$8.4 million in HY2016 to S\$19.8 million in HY2017, which was partly contributed by a new subsidiary corporation of S\$2.7 million, and partly contributed by a new cinema operations business of S\$3.6 million. On top of that, the gross profit of our post production business decreased by S\$0.6 million or 31.6%, from S\$1.9 million in HY2016, to approximately S\$1.3 million in HY2017 whereas the gross profit of our core business increased by S\$5.7 million or 87.7%, from S\$6.5 million in HY2016, to approximately S\$12.2 million in HY2017.

Other (losses)/gains - net

HY2017 vs HY2016

The foreign currency exchange translation gain from the fluctuations of the other currencies against Singapore dollar resulted in a total increase in a net loss of S\$244,000 from a gain of approximately S\$25,000 in HY2016 to a loss of S\$219,000 in HY2017. The increase of loss is mainly due to the currency fluctuations incurred by newly acquired subsidiary corporation during the financial year.

Our Group's other income increased by S\$166,000 in HY2017, which was mainly contributed by the newly acquired subsidiary of S\$145,000 and core business of S\$21,000.

Other than that, interest income of our Group increased by S\$10,000 in HY2017 due to the fixed deposit pledged to bank by our new cinema business during the financial year.

General and administrative expenses

HY2017 vs HY2016

General and administrative expenses increased by S\$5.6 million or 186.7%, from S\$3.0 million in HY2016 to S\$8.6 million in HY2017, this is due to the following reasons:

Employee compensation costs

Employee compensation costs increased by S\$1.3 million or 72.2%. The increase was mainly attributable to an increase in employee compensation cost of S\$0.7 million due to an increase in the number of senior management staff, as well as the number of other employees resulting from the expansion of the Group. Besides that, employee compensation cost also increased by S\$0.7 million due to the acquisition of cinema business in HY2017. However, employee compensation cost for our post production business decreased by S\$0.1 million due to the reduction of the administrative staff .

Professional fees

Other than employee compensation cost, the increase was also due to the increase in total professional fees of S\$0.4 million or 66.7%. The increase of S\$0.4 million was due to the non-recurring events which took place in FY2017, and the breakdown is as follows:

Professional fees	HY2017 S\$'000	HY2016 S\$'000
Professional fees - Core business	345	322
Professional fees - New subsidiary	-	6
Merger & acquisition	572	205
Financing facilities	57	138
	974	671

Depreciation costs

Depreciation costs increased by S\$0.4 million mainly due to the increase of S\$0.4 million resulting from the acquisition of a new cinema business, which have a high value of property, plant and equipment.

Rental expenses

Rental expenses increased by S\$1.1 million which was mainly due to the increase of S\$1.1 million resulting from the additional rental expenses incurred by a new cinema operations business. The rental expenses incurred by the core business in HY2017 remained consistent compared to HY2016.

Utilities costs

Utilities costs increased by S\$0.4 million which was mainly due to the additional utilities costs incurred by a new cinema operations business. The utilities costs incurred by the core business in HY2017 remained consistent compared to HY2016.

Finance expenses

HY2017 vs HY2016

Finance costs increased by S\$271,000, from S\$42,000 in HY2016 to S\$313,000 in HY2017. The increase is mainly due to additional interest expenses for new exchangeable notes of S\$36,000. The finance costs resulting from bank borrowings increased by S\$235,000 due to additional bank borrowings and finance lease liabilities had been taken up during the year.

Profit before tax

HY2017 vs HY2016

As a result from the above, we recorded an increase of S\$5.4 million or 100.0% in profit before tax from S\$5.4 million in HY2016 to S\$10.8 million in HY2017.

REVIEW OF FINANCIAL POSITION (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)

Non-current assets

Our non-current assets increased by S\$32.8 million or 110.4%, from S\$29.7 million as at 31 March 2016 to S\$62.5 million as at 30 September 2016, comprising the following:

(i) Film rights, film intangibles and film inventories decreased by S\$0.1 million or 0.9%, from S\$11.1 million as at 31 March 2016 to S\$11.0 million as at 30 September 2016.

(ii) Goodwill increased by S\$30.7 million, resulting from the acquisition of a new subsidiary corporation of S\$23.9 million, and the acquisition of a new cinema operations business of S\$6.8 million as at 30 September 2016.

On 1 July 2016, the Group completed the acquisition of business assets from Mega Cinemas Management Sdn. Bhd. and on 11 August 2016, the Group completed the acquisition of subsidiary from UnUsUaL Pte. Ltd., and we have included its financial results in our 1H2017 consolidated financial statements. The 51% shares in UnUsUaL Pte. Ltd. have been acquired for a total consideration of S\$26m and business assets from Mega Cinemas Management Sdn. Bhd. for a total consideration of RM22m (approximate S\$7.5m) by the Group and of which the goodwill have been determined provisionally. The purchase price allocation to goodwill, intangibles (excluding goodwill) and other assets and liabilities is currently being assessed and is expected to be finalised within 12 months from the date of acquisition and hence the goodwill has not been allocated to the relevant cash-generating-units.

The goodwill is subject to changes after the finalisation of the Purchase Price Allocation on the acquisition of new subsidiary corporation.

(iii) Property, plant and equipment increased by S\$2.0 million, mainly resulting from a new subsidiary corporation of S\$2.0 million.

Current assets

Our current assets increased by S\$49.3 million or 125.4% from S\$39.3 million as at 30 March 2016 to S\$88.6 million as at 30 September 2016, representing 58.6% of our total assets and comprised the following:

(i) Cash and cash equivalents increased by S\$13.7 million or 291.5%, from S\$4.7 million as at 31 March 2016 to S\$18.4 million as at 30 September 2016.

(ii) Trade and other receivables increased by S\$18.7 million or 76.6%, from S\$24.4 million as at 31 March 2016 to S\$43.1 million as at 30 September 2016. This was mainly due to the additional trade and other receivables from a new subsidiary corporation of S\$13.3 million, and increase of S\$5.4 million resulting from the increase in revenue.

(iii) Capitalisation of all costs in relation to the production of our movies (including all film products and film under production) prior to the release of the movies increased by S\$16.7 million or 170.4%, from S\$9.8 million as at 31 March 2016 to S\$26.5 million as at 30 September 2016. This was mainly due to the increase in number of movies under production, which will be released to movie distributors and/or theatres in the next financial year.

Non-current liabilities

Our non-current liabilities decreased by S\$2.1 million or 58.3%, from S\$3.6 million as at 31 March 2016 to S\$1.5 million as at 30 September 2016. This was mainly due to there is no exercise of convertible notes during HY2017.

Current liabilities

Our current liabilities increased by S\$42.6 million or 150.5% from S\$28.3 million as at 31 March 2016 to S\$70.9 million as at 30 September 2016, representing 97.9% of our total liabilities and comprised the following:

(i) Trade and other payables increased by S\$30.8 million or 129.4%, from S\$23.8 million as at 31 March 2016 to S\$54.6 million as at 30 September 2016. This is mainly due to the deferred consideration for the acquisition of a new subsidiary corporation of S\$20.0 million, additional trade and other payables from a new subsidiary corporation of S\$7.6 million, increase of S\$12.6 million resulting from the increase in revenue during the financial year, decrease of S\$6.9 million due to the payment to Cathay Cineplexes Sdn. Bhd. on 6 April 2016 for the acquisition of cinema business, and decrease of S\$2.5 million due to the payment of deferred consideration on 10 August 2016 for the acquisition of subsidiary (Vividthree) in FY2016.

(ii) Deferred income increased by S\$1.8 million or 300.0%, from S\$0.6 million as at 31 March 2016 to S\$2.4 million as at 30 September 2016. This was mainly due to higher licensing income to be earned when the movies are released in the next financial year, compared to FY2016.

(iii) Borrowings increased by S\$8.4 million or 4200.0%, this was mainly due to additional borrowings from a new subsidiary corporation of S\$0.8 million and additional borrowings from cinema operations business of S\$7.6 million during the financial year.

(iv) Current income tax liabilities increased by S\$1.3 million or 41.9%, from S\$3.1 million in FY2016 to S\$4.4 million in FY2016. This was mainly due to the increase in profit before tax in HY2017.

REVIEW OF CASH POSITION (CONSOLIDATED STATEMENT OF CASH FLOW)

As at 30 September 2016 "HY2017", our cash and cash equivalents amounted to S\$17.9 million as compared to cash and cash equivalents of S\$6.3 million as at 30 September 2015 "HY2016".

Net cash generated from operating activities

In HY2017, we generated a net cash inflow of S\$14.0 million from operating activities before working capital changes of approximately S\$15.1 million cash outflow.

Our net working capital outflow was mainly due to cash outflows of S\$4.1 million from an increase in trade and other receivables, increase of S\$16.7 million from additional movies under production, an increase in film intangibles/film inventories of S\$1.7 million, an increase in progress billing in excess of work-in-progress of S\$0.1 million and tax paid during the financial year of S\$0.7 million. Our cash inflow was due to a decrease of S\$6.4 million in trade and other payables and an increase in deferred income of approximately S\$1.8 million.

Net cash used in investing activities

Net cash used in investing activities amounted to approximately S\$18.1 million mainly due to net cash paid for the acquisition of a new subsidiary corporation of S\$6.0 million, net cash paid for the acquisition of a new business assets of S\$11.2 million, net cash paid for the acquisition of a joint venture of S\$0.1 million, S\$0.4 million due to acquisition of property, plant and equipment in HY2017, and S\$0.4 million due to addition of script rights in HY2017.

Net cash generated from financing activities

Net cash generated from financing activities of S\$33.1 million was mainly due to the cash inflow of S\$8.5 million from the proceeds borrowing, and S\$25.5 million from the issuance of shares pursuant to (a) the conversion of S\$7.5 million in principal amount of convertible notes, and (b) pursuant to the placement of Shares of S\$18 million principal. Meanwhile, the cash outflow was due to the repayment of borrowings, finance leases, interest payment amounting to S\$0.9 million.

Net increase in cash and cash equivalents

Overall, the Group recorded a net cash increase of approximately S\$13.8 million as compared to the net increase of approximately S\$0.6 million in the corresponding financial year.

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 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 continues to harness our capability to provide services over the entire production and distribution process for movies and TV/Online content to address the demand for locally produced content in Singapore and Malaysia. In addition, the Group has also continued its expansion outside the region through the acquisition of an increasing number of regional titles for distribution, and the significant increase in number of productions and co-productions in Singapore, Malaysia, Hong Kong, Taiwan and China. Our North Asia productions have contributed 71% of the Group's production revenue in HY2017, up from 21% in HY2016. We expect productions in these markets to form a bigger part of our revenue in the coming financial year.

On 1 July 2016, the Group completed the acquisition of business assets from Mega Cinemas Management Sdn Bhd. Together with the two cinemas acquired from Cathay Cineplexes Sdn. Bhd. in last financial year, the Group currently have five cinemas operated in Malaysia. We have gained vast experience from gaining entry into the film exhibition space and enable us to further strengthen our network of international film producers and distributors.

On 29 July 2016, the Group has entered into a non-binding memorandum of understanding with Mr. Richard Lee Peng Boon (Dick Lee) to establish a joint venture company (Dick Lee Asia Pte. Ltd.) in Singapore which will engage in music, artistes, creative direction, consultancy or related industries by Dick Lee, and any other future artistes and business with Dick Lee. The Group and Dick Lee each hold 51% and 49% equity interest respectively in Dick Lee Asia Pte. Ltd..

On 11 August 2016, the Group completed the acquisition of subsidiary from UnUsUaL Pte. Ltd. ("UnUsUaL") and we have included its financial results in our 1H2017 consolidated financial statements. Pursuant to the acquisition, we had unlock added revenue streams with the addition of the event and concert promotion arm. UnUsUaL strong presence in Asia along with their network of regional artistes with whom they have worked with synergize with the Group's continuous growth in North Asia.

In the past year, since the acquisition of a majority stake in Vividthree Productions Pte. Ltd., they have shown their capability to develop intellectual property ("IP") that can be monetised over long periods across territories and various platforms. This has helped our Group to expand our library of content and strengthen our recurring sources of income.

The Group will also continue to aggressively expand in the area of new media content. With the majority stake in MM2 View Pte. Ltd. and an Over-the-top ("OTT") content platform in development, we are in a position to produce, distribute and exhibit transmedia content and enter into new market segments in the near future.

The Group will continue to seek opportunities to extend our business, both horizontally and vertically, to further strengthen our business performances.

11 If a decision regarding dividend has been made:-

(a) Whether an interim (final) dividend has been declared (recommended); and

None.

(b) (i) Amount per share in cents

Not applicable.

(b) (ii) Previous corresponding period in cents

Not applicable.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00pm) will be registered before entitlements to the dividend are determined.

Not applicable.

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

No dividend has been declared or recommended for the half year ended 30 September 2016.

13 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 does not have any general mandate from shareholders for interested person transactions pursuant to Rule 920.

There were no IPT of S\$100,000 and above for the HY2017.

14 Update on use of proceeds

(i) Convertible notes

The Group refers to the aggregated gross proceeds amounting to S\$5.0 million raised from the issuance of convertible notes pursuant to the Convertible Note Subscription Agreement with Orientivity Capital Pte. Ltd on 24 February 2016.

	Convertible Note ^(a)	Convertible Note (Greenshoe) ^(a)	Total	Utilised	Unutilised
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Investment in production/ acquisition of movie rights	4,960	2,500	7,460	(7,460) ^(b)	-
General working capital	40	-	40	(40) ^(c)	-
	5,000	2,500	7,500	(7,500)	-

Set out below is a summary of uses of Proceeds since the receipt of the Proceeds:

- (a) As per the announcement on 24 February 2016, the Group intended to use 100% of the net proceeds of the issuance of convertible notes for general working capital purposes, where investment in production/ acquisition of movie rights also form part of the general working capital of the Group.

An aggregate amount of S\$7.4 million had been used in investment in productions / acquisition of movie rights and details are set below:

(b)

	The Group (S\$'000)
Acquisition of film intangibles for distribution	649
Additions in film products	4,357
Additions in investment in movie productions - third party	507
Additions in films under production (WIP)	1,947
	<u>7,460</u>

- (c) An amount of S\$40,000 had been used for professional fees and expenses in relation to the issuance of convertible notes above.

14 (a) Update on use of proceeds

(ii) Placement of shares

The Group refers to the aggregated gross proceeds amounting to S\$18.04 million raised from the placement of shares pursuant to the share placement agreements with Starhub Ltd on 22 March 2016.

As at the date of this announcement, the status of the use of proceeds in Singapore dollars is as follows:

	(a) Starhub Ltd	Utilised	Unutilised
	S\$'000	S\$'000	S\$'000
Acquisition/ joint ventures/ strategic alliances	11,306	(b) (11,306)	-
Investment in production/ acquisition of movie rights	6,674	(c) (4,668)	2,006
General working capital	60	(d) (60)	-
	18,040	(16,034)	2,006

Set out below is a summary of uses of Proceeds since the receipt of the Proceeds:

- (a) As per the announcement on 8 December 2015, the Group intended to use 100% of the net proceeds of the placement of shares for general working capital purposes, where investment in production/ acquisition of movie rights also form part of the general working capital of the Group.
- (b) An amount of S\$11.3 million had been used in merger and acquisition activities, which is for the acquisition of new business assets from Mega Cinemas Management Sdn. Bhd., acquisition of new subsidiary from UnUsUaL, and deferred consideration for the acquisition of Vividthree Productions Pte. Ltd.
- (c) An aggregate amount of S\$4.7 million had been used in investment in productions / acquisition of movie rights and details are set below:

	The Group (S\$'000)
Acquisition of film intangibles for distribution	319
Additions in film products	4,134
Additions in investment in movie productions - third party	215
	4,668

- (d) An amount of S\$60,000 had been used for professional fees and expenses in relation to the placement of shares above.

15 **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 has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720 (1).