

spackmanentertainmentgroup

(Company Registration No.:201401201N)

Unaudited Financial Statement and Dividend Announcement For the Three Months and the Nine Months Ended 30 September 2019

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q3 & Q3), HALF-YEAR AND 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 Three Months Ended			Group Nine Months Ended		
	30 September 2019	30 September 2018	Change %	30 September 2019	30 September 2018	Change %
	(Unaudited) US\$'000	(Unaudited) US\$'000		(Unaudited) US\$'000	(Unaudited) US\$'000	
Revenue	5,868	2,380	NM	12,943	14,555	(11)
Cost of sales	(4,689)	(997)	NM	(8,098)	(9,283)	(13)
Gross profit	1,179	1,383	(15)	4,845	5,272	(8)
Other income	87	113	(23)	416	291	43
Interest income	29	23	26	113	70	61
Selling expenses	(147)	(181)	(19)	(456)	(505)	(10)
General and administrative expenses	(1,447)	(1,918)	(25)	(4,329)	(5,553)	(22)
Finance costs	(65)	(117)	(44)	(175)	(196)	(11)
Other expenses	(96)	(2)	NM	(231)	(307)	(25)
Share of results of an associate	(426)	(297)	43	(890)	(635)	40
Loss before tax	(886)	(996)	(11)	(707)	(1,563)	(55)
Tax credit/(expense)	76	134	(43)	(374)	(215)	74
Loss for the period	(810)	(862)	(6)	(1,081)	(1,778)	(39)
Other comprehensive loss						
<i>Items that are or may be reclassified subsequently to profit or loss</i>						
Share of other comprehensive loss of associated company	(151)	76	NM	(217)	(49)	NM
Currency translation difference arising from consolidation	(343)	85	NM	(701)	(410)	71
Total comprehensive loss for the period	(1,304)	(701)	86	(1,999)	(2,237)	(11)
Loss for the period attributable to:						
Equity holders of the Company	(790)	(925)	(15)	(973)	(2,155)	(55)
Non-controlling interests	(20)	63	NM	(108)	377	NM
	(810)	(862)	(6)	(1,081)	(1,778)	(39)
Total comprehensive loss for the period attributable to:						
Equity holders of the Company	(1,244)	(775)	61	(1,812)	(2,577)	(30)
Non-controlling interests	(60)	74	NM	(187)	340	NM
	(1,304)	(701)	86	(1,999)	(2,237)	(11)

NM – Not meaningful

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

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

	Three Months Ended			Nine Months Ended		
	30 September 2019 (Unaudited) US\$'000	30 September 2018 (Unaudited) US\$'000	Change %	30 September 2019 (Unaudited) US\$'000	30 September 2018 (Unaudited) US\$'000	Change %
Personnel expenses	707	623	13	1,937	1,993	(3)
Travel expense	40	76	(47)	118	183	(36)
Entertainment expense	80	78	3	245	256	(4)
Service expenses	250	417	(40)	980	1,112	(12)
Depreciation and amortisation	462	345	34	1,373	958	43
Interest expense	65	117	(44)	175	196	(11)
Interest income	(29)	(23)	26	(113)	(70)	61
Foreign exchange loss/(gain), net	291	(28)	NM	182	46	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	
	30 September 2019 (Unaudited) US\$'000	31 December 2018 (Audited) US\$'000	30 September 2019 (Unaudited) US\$'000	31 December 2018 (Audited) US\$'000
Assets				
Investment in subsidiaries	-	-	40,455	38,668
Investment in associated company	20,580	21,687	20,244	20,244
Property, plant and equipment	6,747	7,227	32	44
Right-of-use assets	696	-	164	-
Intangible assets	20,570	18,840	-	-
Film production inventories	1,752	1,190	-	-
Deferred tax assets	362	329	-	-
Trade and other receivables	653	784	-	-
Financial assets at fair value through profit or loss	888	1,273	460	460
Non-current assets	52,248	51,330	61,355	59,416
Financial assets at fair value through profit or loss	2,843	4,597	-	-
Loan to a subsidiary	-	-	2,790	1,409
Trade and other receivables	9,010	5,427	1,035	726
Contract assets	343	2,038	-	-
Film production inventories	1,209	1,402	-	-
Inventories	7	9	-	-
Cash and cash equivalents	5,775	2,744	103	285
Current assets	19,187	16,217	3,928	2,420
Total assets	71,435	67,547	65,283	61,836
Liabilities				
Borrowings	2,408	3,321	-	-
Lease liability of right of use asset	230	-	63	-
Other non-current liabilities	132	84	-	-
Contract liabilities	1,278	599	-	-
Deferred tax liabilities	1,244	1,324	-	-
Non-current liabilities	5,292	5,328	63	-
Trade and other payables	4,429	2,739	183	337
Contract liabilities	2,881	2,901	-	-
Borrowings	3,967	1,717	4,163	1,413
Lease liability of right of use asset	219	-	60	-
Film obligation and production loans	374	441	-	-
Tax payables	492	293	-	-
Current liabilities	12,362	8,091	4,406	1,750
Total liabilities	17,654	13,419	4,469	1,750
Net assets	53,781	54,128	60,814	60,086

	Group		Company	
	30 September 2019 (Unaudited) US\$'000	31 December 2018 (Audited) US\$'000	30 September 2019 (Unaudited) US\$'000	31 December 2018 (Audited) US\$'000
Share capital and reserves				
Share capital	66,198	64,411	66,198	64,411
Treasury shares	(339)	(205)	(339)	(205)
Other reserves	(3,169)	(2,329)	-	-
Accumulated losses	(9,868)	(8,895)	(5,045)	(4,120)
Equity attributable to equity holders of the Company, total	52,822	52,982	60,814	60,086
Non-controlling interests	959	1,146	-	-
Total equity	53,781	54,128	60,814	60,086

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 2019 (Unaudited)		As at 31 December 2018 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
1,408	2,778	1,277	440

Amount repayable after one year

As at 30 September 2019 (Unaudited)		As at 31 December 2018 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
1,924	714	2,334	987

Details of any collateral

The Group's short term borrowing of US\$245,567 is secured over a credit guarantee by Korea Credit Guarantee Fund ("KCGF"), short-term borrowings of US\$95,730 is secured over a mortgage of the land and a building with carrying amounts of US\$2,709,727 (31 December 2018: US\$2,963,507), short term borrowings of US\$447,035 are finance lease liabilities, of which the carrying value of equipment under finance lease agreements are US\$551,802 (31 December 2018: US\$788,796), short-term borrowings of US\$244,735 is secured over a personal guarantee by a subsidiary's chief executive officer, and the remaining short-term borrowings of US\$374,594 is secured over the film *JESTERS: THE GAME CHANGERS* by Seoul Guarantee Insurance Co., Ltd.

The Group's long-term borrowing of US\$1,340,215 is secured over a mortgage of the land and a building with carrying amounts of US\$2,709,727 (31 December 2018: US\$2,963,507), long-term borrowing of US\$541,740 are finance lease liabilities, of which the carrying value of equipment under finance lease agreements are US\$551,802 (31 December 2018: US\$788,796) and the remaining long-term borrowings of US\$41,622 is secured over a credit guarantee by KCGF.

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			
	3 Months Ended		9 Months Ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	(Unaudited) US\$'000	(Unaudited) US\$'000	(Unaudited) US\$'000	(Unaudited) US\$'000
Operating activities				
Loss before income tax	(886)	(996)	(707)	(1,563)
Adjustments for:				
Depreciation of property, plant and equipment	278	298	821	817
Depreciation of right-of-use assets	139	-	417	-
Amortisation of intangible assets	45	47	135	141
Interest income	(29)	(23)	(113)	(70)
Dividend income	-	(11)	-	(11)
Interest expense	65	117	175	196
Loss on disposal of property, plant and equipment	1	-	1	-
Loss on disposal of investment	15	-	15	-
Fair value loss on investment in mutual funds	-	-	-	182
Share of results of associated company	426	297	890	635
Gain on disposition of investments	(38)	(21)	(170)	(21)
Reversal of loss on film borne by external investors	-	1	-	5
Operating profit/(loss) before working capital changes	16	(291)	1,464	311
Working capital changes				
Inventories	3	(1)	1	-
Film production inventories	41	(40)	-	(17)
Receivables and contract assets	867	(144)	381	2,573
Payables and contract liabilities	1,136	1,613	1,709	(4,303)
Currency translation adjustments	(8)	(107)	57	(342)
Cash generated from/(used in) operations	2,055	1,030	3,612	(1,778)
Interest received	3	3	61	10
Income tax paid	(96)	(14)	(355)	(481)
Net cash generated from/(used in) operating activities	1,962	1,019	3,318	(2,249)
Investing activities				
Short term loans granted	(1,667)	(139)	(2,836)	(472)
Collection of short term loans	668	420	695	339
Purchases of property, plant and equipment	(311)	(225)	(799)	(1,418)
Proceeds from disposal of property, plant and equipment	-	-	-	12
Purchases of intangible assets	-	(2)	(41)	(31)
Acquisition of a subsidiary, net cash acquired	7	-	7	427
Purchases of investments	(355)	(1,519)	(468)	(1,552)
Proceeds from disposal of investments	60	570	2,345	2,520
Increase in leasehold deposit	(195)	-	(195)	-
Decrease in leasehold deposit	28	-	282	-
Dividend received	-	11	-	11
Net cash used in investing activities	(1,765)	(884)	(1,010)	(164)

	Group			
	3 Months Ended		9 Months Ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	(Unaudited) US\$'000	(Unaudited) US\$'000	(Unaudited) US\$'000	(Unaudited) US\$'000
Financing activities				
Repayment of borrowings	(251)	(594)	(1,657)	(1,286)
Proceeds from borrowings	1,596	877	2,856	2,120
Proceeds from film obligations and production loans	-	1,965	-	2,339
Repayment of film obligations and production loans	-	(2,046)	(38)	(3,385)
Purchase of treasury shares	-	(35)	(134)	(71)
Interest paid	(182)	(36)	(292)	(114)
Net cash generated from/(used in) financing activities	1,163	131	735	(397)
Net change in cash and cash equivalents	1,360	266	3,043	(2,810)
Cash and cash equivalents at beginning of financial period	4,435	3,283	2,744	6,237
Effect of exchange rate changes	(20)	1	(12)	123
Cash and cash equivalents at end of the financial period	5,775	3,550	5,775	3,550
Cash and cash equivalents comprise:				
Cash and bank balances	5,567	2,298	5,567	2,298
Money market funds	208	1,252	208	1,252
	5,775	3,550	5,775	3,550

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 reserve	Accumulated losses	Total			
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000		
Balance as at 1 July 2019	64,411	(339)	(2,715)	(9,078)	52,279	1,019	53,298	
Loss for the period	-	-	-	(790)	(790)	(20)	(810)	
<i>Other comprehensive loss for the period</i>								
Share of other comprehensive loss of associated company			(151)	-	(151)	-	(151)	
Currency translation difference on consolidation	-	-	(303)	-	(303)	(40)	(343)	
	-	-	(454)	(790)	(1,244)	(60)	(1,304)	
Share issued for acquisition of a subsidiary	1,787	-	-	-	1,787	-	1,787	
Balance as at 30 September 2019	66,198	(339)	(3,169)	(9,868)	52,822	959	53,781	
Group (unaudited)								
Balance as at 1 July 2018 as previously stated	59,956	(169)	(2,867)	(7,327)	49,593	1,040	50,633	
Impact on adoption of SFRS(I)1	-	-	662	(662)	-	-	-	
Prior year adjustments	(294)	-	-	-	(294)	-	(294)	
Balance as at 1 July 2018 as restated*	59,662	(169)	(2,205)	(7,989)	49,299	1,040	50,339	
Loss for the period				(925)	(925)	63	(862)	
<i>Other comprehensive loss for the period</i>								
Share of other comprehensive loss of associated company	-	-	76	-	76	-	76	
Currency translation difference on consolidation	-	-	74	-	74	11	85	
	-	-	150	(925)	(775)	74	(701)	
Share issued for additional acquisition of associated company	1,120	-	-	-	1,120	-	1,120	
Purchase of treasury shares	-	(36)	-	-	(36)	-	(36)	
Balance as at 30 September 2018	60,782	(205)	(2,055)	(8,914)	49,608	1,114	50,722	

Statement of Changes in Equity

Company (unaudited)	Share capital	Treasury shares	Accumulated losses	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 July 2019	64,411	(339)	(4,751)	59,321
Share issued for acquisition of a subsidiary	1,787	-	-	1,787
Loss for the period	-	-	(294)	(294)
Balance as at 30 September 2019	66,198	(339)	(5,045)	60,814

Company (Unaudited)

Balance as at 1 July 2018 as previously stated	59,956	(169)	(3,516)	56,271
Prior year adjustments*	(294)	-	-	(294)
Balance as at 1 July 2018, as restated*	59,662	(169)	(3,516)	55,977
Share issued for additional acquisition of associated company	1,120	-	-	1,120
Purchase of treasury shares	-	(36)	-	(36)
Loss for the period	-	-	(256)	(256)
Balance as at 30 September 2018	60,782	(205)	(3,772)	56,805

* The consolidated statement of financial position as at 1 January 2018 have been restated as a result of the adoption of the Singapore Financial Reporting Standards (International) ("SFRS(I)"). With the completion of Purchase Price Allocation (PPA) exercise in accordance with SFRS(I) 3 Business Combinations, the provisional goodwill relating to the acquisition of Take Pictures Pte. Ltd. ("Take Pictures") has been revised for the recognition of the fair value adjustment to the purchase consideration and the customer relationship recorded in the "Intangible assets" account of Take Pictures. Consequently, adjustments were made to the intangible assets and share capital in the balance sheet of the Group and the cost of investment and share capital in the balance sheet of the Company as at 1 January 2018.

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.

Shares Capital – Ordinary Shares	Issued of shares	Issued and paid-up share capital
Balance as at 1 July 2019	1,040,614,708	US\$64,410,807
Issuance of consideration shares for acquisition of a subsidiary	165,000,000	US\$1,786,746
Balance as at 30 September 2019	1,205,614,708	US\$66,197,553

Treasury shares	Number of shares	Amount
Balance as at 1 July and 30 September 2019	9,649,100	US\$338,543

Notes:

(1) The Company had on 20 August 2019 issued and allotted 165,000,000 new ordinary shares of the Company in relation to the acquisition of 100% equity interest in Simplex Films Limited (“**Simplex**”).

The Company did not have any outstanding options or convertibles as at 30 September 2019 and 30 September 2018.

There were 9,649,100 treasury shares, representing 0.81% of the total number of outstanding shares in issue (excluding treasury shares) as at 30 September 2019. There were 3,499,100 treasury shares, representing 0.39% of the total number of outstanding shares in issue (excluding treasury shares) as at 30 September 2018.

There were also no subsidiary holdings as at 30 September 2019 and 30 September 2018.

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

	As at 30 September 2019	As at 31 December 2018
Total number of issued shares excluding treasury shares	1,195,965,608	1,037,165,608

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 qualifications or emphasis of a matter).

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

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

Save as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as those used in the most recently audited annual financial statements for the financial year ended 31 December 2018 ("FY2018").

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 applied the same accounting policies and methods of computation in the financial statements for the current reporting period as that of the audited financial statements for the year ended 31 December 2018, except for the adoption of new/revised SFRS(I) applicable for the financial period beginning 1 January 2019 as follows:

SFRS(I) 16 Leases

SFRS(I) 16 Leases replaces the existing FRS 17: Leases. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their statements of financial position to reflect their rights of use leased assets (a “**ROU**” asset) and the associated obligations for lease payments (a lease liability), within limited exemptions for short term leases (less than 12 months) and leases of low value items. In addition, the nature of expenses related to those leases will change as SFRS(I) 16 replaces straight-line operating lease expense with depreciation charge of right-of-use asset and interest expense on lease liability. The accounting for lessors will not change significantly.

The Group has adopted SFRS(I) 16 using the modified retrospective approach as of 1 January 2019 with no restatement of comparative information.

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 3 months ended		Group 9 months ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Loss per share (“LPS”)				
Loss attributable to shareholders of the Company (US\$)	(789,895)	(925,168)	(972,673)	(2,155,757)
Weighted average number of ordinary shares in issue	1,114,147,317	819,294,997	1,065,394,928	728,986,808
Basic and fully diluted basis LPS (US cents) ^{(1) (2)}	(0.07)	(0.11)	(0.09)	(0.30)
Adjusted LPS (US cents) ⁽³⁾	(0.07)	(0.10)	(0.08)	(0.24)

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 1,195,965,608 ordinary shares in issue (excluding treasury shares) as at 30 September 2019.

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 September 2019	31 December 2018	30 September 2019	31 December 2018
Net asset value (US\$)	53,781,672	54,127,990	60,813,623	60,086,351
Number of ordinary shares in issue (excluding treasury shares)	1,195,965,608	1,037,165,608	1,195,965,608	1,037,165,608
Net asset value per ordinary share (US\$)	0.045	0.052	0.051	0.058

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 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.**

Consolidated Statement of Comprehensive Income

Revenue

Nine months ended 30 September 2019 ("9M 2019") vs Nine months ended 30 September 2018 ("9M 2018")

The breakdown of revenue in 9M 2019 and 9M 2018 is as follows:

Source of revenue	Group	
	9M 2019 (Unaudited) US\$ million	9M 2018 (Unaudited) US\$ million
Production of films	7.23	4.20
Distribution of films and others (*)	2.69	6.25
Leasing of equipment	1.95	2.65
Sales of content	0.27	0.32
Consulting services	0.18	0.25
Restaurant sales and café lounge business	0.30	0.34
Photography	0.04	0.08
Others	0.28	0.47
Total	12.94	14.56

(*) Revenue from distribution of films and others is recognised upon the settlement of the proceeds (i.e., payments of taxes on tickets, other charges and fees, and deductions by movie theatres and theatre circuits of their respective share of the box office sales) from the box office and the post-theatrical market.

Revenue decreased by 11% year-on-year ("YoY") to US\$12.94 million in 9M 2019, mainly due to the followings:

- (i) decrease in distribution of films and others of US\$3.56 million in 9M 2019 mainly due to lower sales of distribution rights / video on demand sales (the "**Post-Theatrical sales**") for the post-theatrical market in Korea for *LONG LIVE THE KING* of US\$1.46 million in 9M 2019 as opposed to post-theatrical sales for the post-theatrical market in Korea for *THE OUTLAWS* (co-presented by the Company's 51%-owned subsidiary, Novus Mediacorp Co., Ltd. "**Novus**") of US\$5.04 million in 9M 2018; and
- (ii) decrease of US\$0.70 million from leasing of equipment to third parties by Frame Pictures Co., Ltd. ("**Frame Pictures**").

The decrease was partially offset by an increase in revenue from production of films of US\$3.03 million, mainly due to the followings:

- (i) "**#ALONE**" (produced by Zip Cinema Co., Ltd. ("**Zip Cinema**") and distributed by a third party, Lotte Entertainment) and *CRAZY ROMANCE* of US\$3.10 million and US\$2.15 million respectively based on costs incurred relative to total expected costs in 9M 2019 as compared to that for *DEFAULT* and *GOLDEN SLUMBER* of US\$3.07 million and US\$1.02 million respectively in 9M 2018; and
- (ii) recognition of the share of profit for acting as the producer for *DEFAULT* of US\$1.88 million in 9M 2019 as compared to no share of profit for acting as the producer for *GOLDEN SLUMBER* in 9M 2018.

Three months ended 30 September 2019 (“Q3 2019”) vs Three months ended 30 September 2018 (“Q3 2018”)

The breakdown of revenue in Q3 2019 and Q3 2018 is as follows:

Source of revenue	Group	
	Q3 2019 (Unaudited) US\$ million	Q3 2018 (Unaudited) US\$ million
Production of films	3.04	0.26
Distribution of films and others (*)	1.79	0.70
Leasing of equipment	0.82	1.10
Sales of content	0.07	0.02
Restaurant sales and café lounge business	0.11	0.10
Photography	-	0.03
Others	0.03	0.17
Total	5.86	2.38

(*) Revenue from distribution of films and others is recognised upon the settlement of the proceeds (i.e., payments of taxes on tickets, other charges and fees, and deductions by movie theatres and theatre circuits of their respective share of the box office sales) from the box office and the post-theatrical market.

Revenue increased by US\$3.48 million to US\$5.86 million in Q3 2019, mainly due to the following:

- (i) an increase of US\$2.78 million from production of films mainly due to “#ALONE” and *CRAZY ROMANCE* of US\$2.54 million and US\$0.25 million respectively based on costs incurred relative to total expected costs in Q3 2019 as compared to that for *DEFAULT* of US\$0.17 million in Q3 2018; and
- (ii) an increase of US\$1.09 million from distribution of films and others mainly due to the recognition of the post-theatrical sales for the post-theatrical market in Korea for *LONG LIVE THE KING* of US\$1.46 million in Q3 2019 and this was partially offset by a lower post-theatrical sales for the post-theatrical market in Korea for *THE OUTLAWS* of US\$0.07 million in Q3 2019 as compared to US\$0.25 million in Q3 2018.

Cost of sales

9M 2019 vs 9M 2018

The breakdown of cost of sales in 9M 2019 and 9M 2018 is as follows:

	Group	
	9M 2019 (Unaudited) US\$ million	9M 2018 (Unaudited) US\$ million
Cost of sales		
Production of films	4.99	4.13
Distribution of films and others (*)	2.13	4.24
Leasing of equipment	0.69	0.17
Sales of content	0.09	0.19
Consulting services	0.02	-
Restaurant sales and café lounge business	0.13	0.13
Others	0.05	0.42
Total	8.10	9.28

(*) Cost of sales from distribution of films and others is recognised upon the settlement of the proceeds (i.e., payments of taxes on tickets, other charges and fees, and deductions by movie theatres and theatre circuits of their respective share of the box office sales) from the box office and the post-theatrical market.

Cost of sales decreased by 13% YoY to US\$8.10 million in 9M 2019, mainly due to a decrease of US\$2.11 million from distribution of films and others in relation to absence of the copyright fee of *THE OUTLAWS* of US\$4.01 million in 9M 2018, partially offset by the the copyright fee of *LONG LIVE THE KING* and *MY FIRST CLIENT* of US\$1.35 million and US\$0.51 million incurred respectively in 9M 2019. Novus owns the distribution rights of *LONG LIVE THE KING* and *MY FIRST CLIENT* for the post-theatrical market in Korea.

The decrease was partially offset by an increase of US\$0.86 million from production of films mainly due to higher production costs incurred in 9M 2019 for “*#ALONE*” and *CRAZY ROMANCE* of US\$2.99 million and US\$1.88 million as compared to the production costs that were incurred in 9M 2018 for *DEFAULT* of US\$2.93 million and *GOLDEN SLUMBER* of US\$1.10 million.

Q3 2019 vs Q3 2018

The breakdown of cost of sales in Q3 2019 and Q3 2018 is as follows:

	Group	
	Q3 2019 (Unaudited) US\$ million	Q3 2018 (Unaudited) US\$ million
Cost of sales		
Production of films	2.76	0.30
Distribution of films and others (*)	1.62	0.45
Leasing of equipment	0.24	0.06
Sales of content	-	-
Restaurant sales and café lounge business	0.04	0.04
Others	0.03	0.15
Total	4.69	1.00

(*) Cost of sales from distribution of films and others is recognised upon the settlement of the proceeds (i.e., payments of taxes on tickets, other charges and fees, and deductions by movie theatres and theatre circuits of their respective share of the box office sales) from the box office and the post-theatrical market.

Cost of sales increased by US\$3.69 million to US\$4.69 million in Q3 2019, mainly due to the followings:

- (i) increase of US\$2.46 million from production of films mainly due to higher production costs incurred in Q3 2019 for “#ALONE” and *CRAZY ROMANCE* of US\$2.45 million and US\$0.21 million as compared to the production costs that were incurred in Q3 2018 for *DEFAULT* of US\$0.23 million; and
- (ii) increase of US\$1.17 million from distribution of films and others mainly due to the copyright fee incurred in Q3 2019 for *LONG LIVE THE KING* and *MY FIRST CLIENT* of US\$1.35 million and US\$0.21 million respectively as compared to the copyright fee incurred in Q3 2018 for *THE OUTLAWS* of US\$0.40 million.

Gross profit

9M 2019 vs 9M 2018

The Group recorded a lower gross profit of US\$4.85 million in 9M 2019 as compared to a gross profit of US\$5.27 million in 9M 2018 mainly due to the followings:

- (i) lower gross profit from leasing of equipment to third parties by Frame Pictures in 9M 2019 of US\$1.26 million as opposed to US\$2.48 million in 9M 2018; and
- (ii) lower post-theatrical gross profit from *LONG LIVE THE KING* and *THE FIRST CLIENT* of US\$0.11 million and US\$0.18 million respectively in 9M 2019 as opposed to a gross profit of US\$1.03 million from *THE OUTLAWS* in 9M 2018.

This was partially offset by an increase in gross profit from production of films mainly due to the recognition of share of profit for acting as the producer for *DEFAULT* of US\$1.88 million in 9M 2019 as compared to the share of profit for acting as the producer for *MASTER* of US\$0.29 million in 9M 2018.

Q3 2019 vs Q3 2018

Gross profit decreased by 15% YoY to US\$1.18 million in 9M 2019, mainly due to a lower gross profit generated by Frame Pictures in Q3 2019 of US\$0.58 million as opposed to US\$1.04 million in Q3 2018 from leasing of equipment to third parties. This was partially offset by an increase in gross profit from distribution of *LONG LIVE THE KING* of US\$0.35 million in Q3 2019 as compared to no gross profit from distribution of *THE OUTLAWS* in Q3 2018.

Other income

9M 2019 vs 9M 2018

Other income increased by 43% YoY from US\$0.29 million in 9M 2018 to US\$0.42 million in 2019 mainly due to gain on investments of US\$0.13 million in relation to returns from the investment in television drama project *TERIUS BEHIND ME* by Greenlight Content Co., Ltd. (“**Greenlight Content**”) of US\$0.10 million and returns from the investment in film project *THE NEGOTIATION* by Take Pictures of US\$0.03 million in 9M 2019.

Q3 2019 vs Q3 2018

There was no significant change in other income (Q3 2019: US\$0.09 million, Q3 2018: US\$0.11 million).

General and administrative expenses

9M 2019 vs 9M 2018

General and administrative expenses decreased by 22% YoY to US\$4.33 million in 9M 2019, mainly due to lower operating costs which is in line with the lower revenue in 9M 2019 and lower rent expense arising from the adoption of SFRS (I) 16.

Q3 2019 vs Q3 2018

General and administrative expenses decreased by 25% YoY to US\$1.45 million in 9M 2019, mainly due to lower rent expense arising from the adoption of SFRS (I) 16.

Other expenses

9M 2019 vs 9M 2018

Other expenses decreased by US\$0.07 million to US\$0.23 million in 9M 2019, mainly due to an absence of non-recurring expenses incurred in relation to impairment loss of investment in *GOLDEN SLUMBER* of US\$0.18 million in 9M 2018. The decrease is partially offset by an increase in foreign exchange translation loss of US\$0.11 million in 9M 2019.

Q3 2019 vs Q3 2018

Other expenses increased by US\$0.09 million to US\$0.10 million in Q3 2019 solely due to an increase in foreign exchange translation loss of US\$0.09 million in Q3 2019.

Share of results of associate

9M 2019 vs 9M 2018

The share of results of associate of a loss of US\$0.89 million in 9M 2019 (9M 2018: a loss of US\$0.64 million) was mainly attributable to the loss from Spackman Media Group Limited (“**SMGL**”) of US\$0.88 million due to the occasional seasonality of the artists’ content projects performed. There were lesser major entertainment content projects that were recognised over the contractual period in 9M 2019.

Q3 2019 vs Q3 2018

The share of results of associate of a loss of US\$0.43 million in Q3 2019 (Q3 2018: a loss of US\$0.30 million) was mainly attributable to the loss of US\$0.42 million incurred by SMGL due to same reason as explained above.

Tax credit/(expense)

9M 2019 vs 9M 2018

The Group recorded tax expense of US\$0.37 million in 9M 2019 (9M 2018: US\$0.22 million) mainly due to taxable earnings generated by Zip Cinema in 9M 2019. Taxable earnings generated by Zip Cinema in 9M 2019 was mainly attributable to the recognition of share of profit for acting as the producer for *DEFAULT* of US\$1.88 million.

Q3 2019 vs Q3 2018

The Group recorded tax credit of US\$0.08 million in Q3 2019 (Q3 2018: US\$0.13 million) mainly due to lower taxable earnings generated by Zip Cinema in 9M 2019 as compared to 6M 2019.

Loss before tax

9M 2019 vs 9M 2018

As a result of the above, the Group recorded a loss before tax of US\$0.71 million in 9M 2019 as compared to a loss before tax of US\$1.56 million in 9M 2018.

Q3 2019 vs Q3 2018

As a result of the above, the Group recorded a loss before tax of US\$0.89 million in Q3 2019 as compared to a loss before tax of US\$1.00 million in Q3 2018.

Consolidated Statement of Financial Position

Non-current assets

The Group's non-current assets amounted to US\$52.25 million as at 30 September 2019. The increase in non-current assets from US\$51.33 million as at 31 December 2018 was mainly due to:

- i) increase in intangible assets of US\$1.73 million mainly attributable to provisional goodwill of US\$1.73 million arising from the acquisition of Simplex;
- ii) increase in ROU assets by US\$0.70 million due to the adoption of SFRS(I) 16 on 1 January 2019; and
- iii) increase in film production inventories of US\$0.56 million mainly due to the acquisition of Simplex which contributed US\$0.37 million.

The increase is partially offset by the following:

- i) decrease in investment in associated company of US\$1.11 million mainly attributable to the share of losses of US\$1.09 million from SMGL;
- ii) decrease in property, plant and equipment of US\$0.48 million mainly attributable to the depreciation charged during the period; and
- iii) decrease in financial assets at fair value through profit or loss of US\$0.39 million mainly attributable to the returns from the long-term investments of US\$0.25 million received by Zip Cinema.

Current assets

The Group's current assets amounted to US\$19.19 million as at 30 September 2019. The increase in current assets from US\$16.22 million as at 31 December 2018 was mainly due to:

- i) increase in cash and cash equivalents of US\$3.03 million, mainly due to the reasons as explained under the discussion for the "Consolidated Statement of Cash Flow" below;
- ii) increase in trade and other receivables of US\$3.58 million, mainly due to an increase in advance payment of US\$1.84 million in relation to film and TV drama projects and an increase in loan receivables mainly in relation to interest-bearing short-term loan to Spackman Media Group Pte. Ltd. ("**SMGPL**") of US\$1.74 million;

- iii) partially offset by a decrease in financial assets at fair value through profit or loss of US\$1.75 million mainly attributable to the returns from the investment in television drama project *TERIUS BEHIND ME* by Greenlight Content of US\$1.69 million; and
- iv) partially offset by a decrease in contract assets of US\$1.70 million mainly due to the billing of receivables during 9M 2019.

Non-current liabilities

The Group's non-current liabilities amounted to US\$5.29 million as at 30 September 2019. The slight decrease in non-current liabilities from US\$5.33 million as at 31 December 2018 was mainly due to a decrease in borrowings of US\$0.91 million due to settlement of loans and a decrease in deferred tax liabilities of US\$0.08 million as a result of realization of deferred tax liability of Frame Pictures.

The decrease was partially offset by an increase in contract liabilities by US\$0.68 million in relation to advance received for future production of movies and an increase in lease liability of ROU asset of US\$0.23 million following the adoption of SFRS (I) 16.

Current liabilities

The Group's current liabilities amounted to US\$12.36 million as at 30 September 2019. The increase in current liabilities from US\$8.09 million as at 31 December 2018 was mainly due to increase in borrowings of US\$2.25 million for the purpose of working capital, increase in trade and other payables of US\$1.69 million mainly in relation to costs payable to copyright supplier of *LONG LIVE THE KING* of US\$1.48 million, and increase in lease liability of ROU asset of US\$0.22 million following the adoption of SFRS (I) 16.

Consolidated Statement of Cash Flow

As at 30 September 2019, the Group had cash and cash equivalents amounting to US\$5.78 million as compared to cash and cash equivalents amounting to US\$3.55 million as at 30 September 2018.

The significant cash movements during Q3 2019 as compared to Q3 2018 can be summarised as follows:

Cash flow generated from operating activities for Q3 2019 amounted to US\$1.96 million as compared to cash generated from operating activities of US\$1.02 million for Q3 2018. The cash flow generated from operating activities for Q3 2019 was mainly due to net working capital inflows of US\$2.04 million mainly resulting from a decrease in receivables and contract assets of US\$0.87 million and an increase in payables and contract liabilities of US\$1.14 million, and partially offset by income tax paid of US\$0.10 million.

Cash flow used in investing activities for Q3 2019 was US\$1.77 million as compared to cash flow used in investing activities of US\$0.88 million for Q3 2018. The cash flow used in investing activities for Q3 2019 was mainly due to short term loans granted of US\$1.67 million.

Cash flow generated from financing activities was US\$1.16 million for Q3 2019 as compared to cash flow generated from financing activities of US\$0.13 million for Q3 2018. The cash generated from financing activities in Q3 2019 was mainly due to proceeds from borrowings of US\$1.60 million for working capital purpose and partially offset by repayment of borrowings of US\$0.25 million and interest paid of US\$0.18 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:

In US\$' million	Distribution of films		Production of films		Leasing of equipment		Others		Total	
	9M 2019	9M 2018	9M 2019	9M 2018	9M 2019	9M 2018	9M 2019	9M 2018	9M 2019	9M 2018
Revenue	2.69	6.25	7.23	4.20	1.95	2.65	1.07	1.46	12.94	14.56
Cost of sales	(2.13)	(4.24)	(4.99)	(4.13)	(0.69)	(0.17)	(0.29)	(0.74)	(8.10)	(9.28)
Share of results of associated companies	-	-	-	-	-	-	(0.89)	-	(0.89)	(0.63)
Gain on project investment	-	-	-	-	-	-	0.17	-	0.17	-
Segment gross results	0.56	2.01	2.24	0.07	1.26	2.48	0.06	0.72	4.12	4.65
Selling and general & administrative expenses	(0.85)	(2.22)	(2.29)	(1.49)	(0.62)	(0.94)	(0.34)	(0.51)	(4.10)	(5.16)
Segment net results	(0.29)	(0.21)	(0.05)	(1.42)	0.64	1.54	(0.28)	0.21	0.02	(0.51)
Unallocated other income:										
Other income and gains									0.25	0.27
Interest income									0.11	0.07
Unallocated expenses:										
Depreciation and amortisation									(0.69)	(0.90)
Other expenses									(0.23)	(0.29)
Finance costs									(0.17)	(0.20)
Loss before tax									(0.71)	(1.56)
Tax expense									(0.37)	(0.22)
Loss for the period									(1.08)	(1.78)
Segment assets	4.96	7.41	13.29	4.98	3.58	3.15	1.98	1.70	23.81	17.24
Unallocated assets									47.62	45.93
Total assets									71.43	63.17
Segment liabilities	1.19	1.00	3.18	0.67	1.85	0.42	0.47	0.23	6.69	2.32
Unallocated liabilities									10.96	9.83
Total liabilities									17.65	12.15

11. 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 romantic comedy film, *CRAZY ROMANCE*, produced by the Group's indirect wholly-owned subsidiary, Zip Cinema, recorded nearly three million tickets at the Korean box office since its theatrical debut on 2 October 2019. Starring well-known actor, Kim Rae-won, and popular actress, Gong Hyo-jin, the movie surpassed its break-even point within eight days as Korea's best romance film of 2019. *CRAZY ROMANCE*, which was presented and distributed by Next Entertainment World, was exported to 22 countries including Singapore, Malaysia, Vietnam, Cambodia, Taiwan, Philippines, Hong Kong, Macau, Australia and New Zealand.

Following *CRAZY ROMANCE*, Zip Cinema's next major film, with the working title "*#ALONE*", is expected to commence filming in the second half of 2019. Headlined by top leading actor Yoo Ah-in of UAA & Co Inc., a subsidiary of the Group's associated company SMGL, and popular actress Park Shin-hye, "*#ALONE*" is based on an original scenario by Hollywood writer Matt Taylor, who produced the American documentary series, *SMALL BUSINESS REVOLUTION: MAIN STREET*.

Founded by veteran movie producer Song Dae Chan, Studio Take, the Group's indirect wholly-owned subsidiary, is expected to release its first production, a human drama film with the title *STONE SKIPPING*, in Korea next year.

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 with a tentative budget of KRW 3 billion (or US\$2.7 million), excluding prints and advertising costs. The film is expected to be released next year.

Proposed Partnership with Korean Strategic Partner

On 4 November 2019, the Group signed a memorandum of understanding with a Korean strategic partner, Sunwoo Produce Inc. ("**Sunwoo Produce**"), to collaborate in entertainment-related business and investment (the "**Proposed Partnership**"). Under the Proposed Partnership, Sunwoo Produce which shall be the single largest shareholder of ESA Co. Ltd. ("**ESA**"), an entertainment company listed on the KOSDAQ, intends to collaborate with the Group to penetrate new overseas market in entertainment-related content. The Group will update its shareholders as and when there are any material developments and/or upon execution of definitive agreements in relation to the Proposed Partnership.

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.

12. 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.

13. 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 Q3 2019. The available fund will be retained for working capital use.

14. 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)	709 ⁽¹⁾	Not applicable

Note:

(1) Relates to a loan of KRW200 million which was extended from Zip Cinema to Eugene Lee on 2 August 2017 and an additional loan of KRW380 million to Eugene Lee on 25 October 2018.

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 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).

16. Negative Confirmation by the Board Pursuant to Rule 705(5)

The Board of Directors of the Company confirms that, to the best of their knowledge, nothing has come to their attention which may render the unaudited financial results for the 3 months and 9 months financial periods ended 30 September 2019 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

John Ko, Jihwan

CEO

Date: 13 November 2019

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 Catalist. The Sponsor has not 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.

The contact person for the Sponsor is Mr. Mah How Soon, Registered Professional, at 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619, telephone (65) 6381 6757.