

spackmanentertainmentgroup

(Company Registration No.:201401201N)

Unaudited Financial Statement and Dividend Announcement For the Three Months Ended 31 March 2019

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & 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		Change %
	31 March 2019 (Unaudited) US\$'000	31 March 2018 (Unaudited) US\$'000	
Revenue	5,238	10,511	(50)
Cost of sales	(1,860)	(7,445)	(75)
Gross profit	3,378	3,066	10
Other income	215	135	59
Interest income	55	21	NM
Selling expenses	(151)	(172)	(12)
General and administrative expenses	(1,420)	(1,940)	(27)
Finance costs	(48)	(36)	33
Other expenses	(71)	(4)	NM
Share of results of associate	(195)	(13)	NM
Profit before tax	1,763	1,057	67
Tax expense	(486)	(445)	9
Profit for the period	1,277	612	109
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Other comprehensive income of associated company	(66)	6	NM
Currency translation difference arising from consolidation	(153)	48	NM
Total comprehensive profit for the period	1,058	666	59
Profit for the period attributable to:			
Equity holders of the Company	1,348	322	NM
Non-controlling interests	(71)	290	NM
	1,277	612	109
Total comprehensive profit for the period attributable to:			
Equity holders of the Company	1,148	371	NM
Non-controlling interests	(90)	295	NM
	1,058	666	59

NM – Not meaningful

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

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

	Three Months Ended		Change %
	31 March 2019 (Unaudited) US\$'000	31 March 2018 (Unaudited) US\$'000	
Personnel expenses	548	665	(18)
Rent expense	240	318	(25)
Travel expense	27	45	(40)
Entertainment expense	89	106	(16)
Service expenses	369	517	(29)
Depreciation and amortization	339	325	4
Interest expense	48	36	33
Interest income	(55)	(21)	NM
Foreign exchange loss/(gain), net	66	(48)	NM

NM – Not meaningful

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

	Group		Company	
	31 March 2019 (Unaudited) US\$'000	31 December 2018 (Audited) US\$'000	31 March 2019 (Unaudited) US\$'000	31 December 2018 (Audited) US\$'000
Assets				
Investment in subsidiaries	-	-	38,668	38,668
Investment in associated company	21,426	21,687	20,244	20,244
Property, plant and equipment	6,814	7,227	39	44
Intangible assets	18,793	18,840	-	-
Film production inventories	1,318	1,190	-	-
Deferred tax assets	363	329	-	-
Long term trade and other receivables	589	784	-	-
Financial assets at fair value through profit or loss	886	1,273	460	460
Non-current assets	50,189	51,330	59,411	59,416
Financial assets at fair value through profit or loss	2,606	4,597	-	-
Loan to a subsidiary	-	-	1,585	1,409
Trade and other receivables	8,182	5,427	1,746	726
Contract assets	1,916	2,038	-	-
Film production inventories	1,277	1,402	-	-
Inventories	7	9	-	-
Cash and cash equivalents	5,176	2,744	148	285
Current assets	19,164	16,217	3,479	2,420
Total assets	69,353	67,547	62,890	61,836
Liabilities				
Borrowings	3,075	3,321	-	-
Other non-current liabilities	87	84	-	-
Contract liabilities	1,806	599	-	-
Deferred tax liabilities	1,378	1,324	-	-
Non-current liabilities	6,346	5,328	-	-
Trade and other payables	2,531	2,739	299	337
Contract liabilities	2,713	2,901	-	-
Borrowings	1,576	1,717	2,936	1,413
Film obligation and production loans	395	441	-	-
Tax payables	740	293	-	-
Current liabilities	7,955	8,091	3,235	1,750
Total liabilities	14,301	13,419	3,235	1,750
Net assets	55,052	54,128	59,655	60,086
Share capital and reserves				
Share capital	64,411	64,411	64,411	64,411
Treasury shares	(339)	(205)	(339)	(205)
Other reserves	(2,529)	(2,329)	-	-
Accumulated losses	(7,547)	(8,895)	(4,417)	(4,120)
Equity attributable to equity holders of the Company, total	53,996	52,982	59,655	60,086
Non-controlling interests	1,056	1,146	-	-
Total equity	55,052	54,128	59,655	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 31 March 2019 (Unaudited)		As at 31 December 2018 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
1,152	424	1,277	440

Amount repayable after one year

As at 31 March 2019 (Unaudited)		As at 31 December 2018 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
2,174	901	2,334	987

Details of any collateral

The Group's short term borrowing of US\$263,667 is secured over a credit guarantee by Korea Credit Guarantee Fund ("KCGF"), short-term borrowings of US\$303,218 is secured over a mortgage of the land and a building with carrying amounts of US\$2,895,115 (31 December 2018: US\$2,963,507), short term borrowings of US\$326,522 are finance lease liabilities, of which the carrying value of equipment under finance lease agreements are US\$ 577,096 (31 December 2018: US\$788,796), and the remaining short-term borrowings of US\$258,393 is secured over a personal guarantee by a subsidiary's chief executive officer.

The Group's long-term borrowing of US\$1,415,011 is secured over a mortgage of the land and a building with carrying amounts of US\$2,895,115 (31 December 2018: US\$2,963,507), long-term borrowing of US\$670,825 are finance lease liabilities, of which the carrying value of equipment under finance lease agreements are US\$577,096 (31 December 2018: US\$788,796) and the remaining long-term borrowings of US\$87,889 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	
	Three Months Ended	
	31 March 2019 (Unaudited) US\$'000	31 March 2018 (Unaudited) US\$'000
Operating activities		
Profit before income tax	1,763	1,057
Adjustments for:		
Depreciation of property, plant and equipment	294	278
Amortization of intangible assets	45	47
Interest income	(55)	(21)
Interest expense	48	36
Share of results of associated company	195	13
Gain on disposal of short-term investments	(137)	-
Allowance for doubtful receivables	-	1
Reversal of loss on film borne by external investors	-	2
Operating profit before working capital changes	2,153	1,413
Working capital changes		
Inventories	1	2
Film production inventories	(2)	183
Receivables and contract assets	(1,095)	1,729
Payables and contract liabilities	895	(4,210)
Currency translation adjustments	(71)	44
Cash generated from/(used in) operations	1,881	(839)
Interest received	39	18
Income tax paid	(17)	(239)
Net cash generated from/(used in) operating activities	1,903	(1,060)
Investing activities		
Short term loans granted	(1,240)	(5)
Collection of short term loans	-	65
Purchases of property, plant and equipment	(1)	(883)
Acquisition of a subsidiary, net cash acquired	-	427
Decrease in leasehold deposits	194	-
Proceeds from disposal of securities	259	249
Proceeds from disposal of investment in project	2,028	93
Purchases of long term investments	(13)	(14)
Net cash generated from/(used in) investing activities	1,227	(68)
Financing activities		
Repayment of loans	(926)	(135)
Additional loans	480	688
Proceeds from film obligations and production loans, net	(46)	373
Purchase of treasury shares	(134)	-
Interest paid	(48)	(36)
Net cash (used in)/generated from financing activities	(674)	890
Net increase/(decrease) in cash and cash equivalents	2,456	(238)
Cash and cash equivalents at beginning of financial period	2,744	6,237
Effect of exchange rate changes	(24)	(22)

	Group	
	Three Months Ended	
	31 March 2019 (Unaudited) US\$'000	31 March 2018 (Unaudited) US\$'000
Cash and cash equivalents at end of the financial period	5,176	5,977
Cash and cash equivalents comprise:		
Cash and bank balances	5,176	5,977
	<u>5,176</u>	<u>5,977</u>

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 →				Total	Non-controlling interests	Total equity
	Share capital	Treasury shares	Other reserve	Accumulated losses			
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 January 2019	64,411	(205)	(2,329)	(8,895)	52,982	1,146	54,128
Profit for the period				1,348	1,348	(71)	1,277
<i>Other comprehensive profit for the period</i>							
Share of foreign currency translation difference of associate	-	-	(66)	-	(66)	-	(66)
Currency translation difference on consolidation	-	-	(134)	-	(134)	(19)	(153)
	-	-	(200)	1,348	1,148	(90)	1,058
Purchase of treasury shares	-	(134)	-	-	(134)	-	(134)
Balance as at 31 March 2019	64,411	(339)	(2,529)	(7,547)	53,996	1,056	55,052
Group (Restated*)							
Balance as at 1 January 2018 as previously stated	37,461	(134)	(2,296)	(6,096)	28,935	774	29,709
Impact on adoption of SFRS(I)1	-	-	662	(662)	-	-	-
Prior year adjustments	(294)	-	-	-	(294)	-	(294)
Balance as at 1 January 2018 as restated	37,167	(134)	(1,634)	(6,758)	28,641	774	29,415
Profit for the period	-	-	-	322	322	290	612
<i>Other comprehensive profit for the period</i>							
Share of foreign currency translation difference of associate	-	-	6	-	6	-	6
Currency translation difference on consolidation	-	-	43	-	43	5	48
	-	-	49	322	371	295	666
Share issued for acquisition of a subsidiary	12,770	-	-	-	12,770	-	12,770
Share issued for additional acquisition of associated company	2,861	-	-	-	2,861	-	2,861
Balance as at 31 March 2018	52,798	(134)	(1,585)	(6,436)	44,643	1,069	45,712

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 January 2019	64,411	(205)	(4,120)	60,086
Purchase of treasury shares	-	(134)	-	(134)
Loss for the period	-	-	(297)	(297)
Balance as at 31 March 2019	64,411	(339)	(4,417)	59,655

Company (Unaudited)

Balance as at 1 January 2018 as previously stated	37,461	(134)	(2,895)	34,432
Prior year adjustments	(294)	-	-	(294)
Balance as at 1 January 2018, as restated	37,167	(134)	(2,895)	34,138
Share issued for acquisition of a subsidiary	12,770	-	-	12,770
Share issued for additional acquisition of associated company	2,861	-	-	2,861
Profit for the period	-	-	(311)	(311)
Balance as at 31 March 2018	52,798	(134)	(3,206)	49,458

* 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 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.

Please refer to Paragraph 5 of this announcement for the restatement of the consolidated statement of financial position as a result of the adoption of SFRS(I).

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	Number of shares		Amount	
	Issued share capital	Treasury shares	Issued and paid-up share capital	Treasury shares
Balance as at 1 January 2019	1,040,614,708	(3,449,100)	US\$64,410,807	(US\$204,909)
Number of shares purchased ⁽¹⁾	-	(6,200,000)	-	(US\$133,634)
Balance as at 31 March 2019	1,040,614,708	(9,649,100)	US\$64,410,807	(US\$338,543)

Notes:

(1) The Company purchased an aggregate of 6,200,000 shares between 24 January 2019 and 25 January 2019.

The Company did not have any outstanding options or convertibles as at 31 March 2019 and 31 March 2018.

There were 9,649,100 treasury shares (representing 0.93% of the Company’s 1,040,614,708 ordinary shares) as at 31 March 2019. There were 1,699,100 treasury shares (representing 0.24% of the Company’s 694,372,809 ordinary shares) as at 31 March 2018 .

There were no subsidiary holdings as at 31 March 2019 and 31 March 2018.

- (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 31 March 2019	As at 31 December 2018
Total number of issued shares excluding treasury shares	1,030,965,608	1,037,165,608

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

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

- 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 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 nor reviewed.

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

Prior year adjustment in accordance with SFRS(I) 1 First-Time Adoption of Singapore Financial Reporting Standards (International)

The Financial Statements for FY2018 has been restated to reflect the effects of resetting the cumulative Foreign Currency Translation Reserve ("FCTR"). The Group elected the optional exemption in SFRS(I) 1 to reset its cumulative FCTR for all foreign operations to nil at the date of transition. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

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	
	Three Months Ended	
	31 March 2019	31 March 2018
Earnings per share ("EPS")		
Profit attributable to shareholders of the Company (US\$)	1,347,936	322,874
Weighted average number of ordinary shares in issue	1,031,498,941	645,419,498
Basic and fully diluted basis EPS (US cents) ⁽¹⁾⁽²⁾	0.13	0.05
Adjusted EPS (US cents) ⁽³⁾	0.13	0.05

Notes:

- (1) The basic and fully diluted 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 basic and fully diluted basic EPS are the same as there were no potentially dilutive ordinary shares in existence during the respective periods.
- (3) For comparative purposes, the adjusted EPS of the Group for the respective periods was calculated based on 1,030,965,608 ordinary shares in issue (excluding treasury shares) as at 31 March 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	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Net asset value (US\$)	55,052,303	54,127,990	59,655,075	60,086,351
Number of ordinary shares in issue (excluding treasury shares)	1,030,965,608	1,037,165,608	1,030,965,608	1,037,165,608
Net asset value per ordinary share (US\$)	0.053	0.052	0.058	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 (three months ended 31 March 2019 (“Q1 2019”) vs three months ended 31 March 2018 (“Q1 2018”))

Revenue

The breakdown of revenue in Q1 2019 and Q1 2018 is as follows:

Source of revenue	Group	
	Q1 2019 (Unaudited) US\$ million	Q1 2018 (Unaudited) US\$ million
Production of films	3.51	3.72
Distribution of films and others (*)	0.35	4.89
Leasing of equipment	0.75	1.02
Sales of content	0.20	0.30
Consulting services	0.18	0.24
Restaurant sales and café lounge business	0.08	0.09
Photography	0.01	0.02
Others	0.16	0.23
Total	5.24	10.51

NM – Not meaningful

(*) Revenue from distribution of films and others is recognized 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 ancillary market.

Revenue decreased by 50% year-on-year (“YoY”) to US\$5.24 million in Q1 2019, mainly due to an absence of the sales of distribution rights / video on demand sales (the “**Post-Theatrical sales**”) for the ancillary market in Korea for *THE OUTLAWS* (co-presented by the Company’s 51%-owned subsidiary, Novus Mediacorp Co., Ltd. “**Novus**”) of US\$4.52 million in Q1 2018.

Cost of sales

The breakdown of cost of sales in Q1 2019 and Q1 2018 is as follows:

Cost of sales	Group	
	Q1 2019 (Unaudited) US\$ million	Q1 2018 (Unaudited) US\$ million
Production of films	1.37	3.68
Distribution of films and others (*)	0.10	3.42
Leasing of equipment	0.23	-
Sales of content	0.10	0.17
Restaurant sales and café lounge business	0.03	0.03
Others	0.03	0.14
Total	1.86	7.44

(*) Cost of sales from distribution of films and others is recognized 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 ancillary market.

Cost of sales decreased by 75% YoY to US\$1.86 million in Q1 2019, mainly due to the followings:

- (i) absence of the copyright fee of *THE OUTLAWS* of US\$3.40 million from distribution of films and other in Q1 2018; and
- (ii) decrease of US\$2.31 million from production of films mainly due to lower production costs incurred in Q1 2019 for *CRAZY ROMANCE* of US\$1.35 million as compared to the production costs that were incurred in Q1 2018 for *DEFAULT* of US\$2.52 million and *GOLDEN SLUMBER* of US\$1.12 million, based on the stage of completion method.

Gross profit

The Group recorded a gross profit of US\$3.38 million in Q1 2019 as compared to a gross profit of US\$3.07 million in Q1 2018. Gross profit margin had improved from 29% in Q1 2018 to 64% in Q1 2019 mainly due to the recognition of share of profit for acting as the producer for *DEFAULT* of US\$1.68 million in Q1 2019 compared with the gross profit of US\$1.12 million from distributing *THE OUTLAWS* in Q1 2018.

Other income

Other income increased by 59% YoY from US\$0.14 million in Q1 2018 to US\$0.22 million in Q1 2019 mainly due to gain of US\$0.14 million on investments and partially offset by a decrease in foreign currency transaction gain of US\$0.04 million.

General and administrative expenses

General and administrative expenses decreased by 27% YoY from US\$1.94 million in Q1 2018 to US\$1.42 million in Q1 2019 mainly due to lower operating costs which is in line with the lower revenue in Q1 2019.

Other expenses

Other expenses increased by US\$0.07 million in Q1 2019 mainly due to an increase in foreign currency translation loss of US\$0.07 million.

Share of results of associate

The share of results of associate of a loss of US\$0.20 million in Q1 2019 (Q1 2018: US\$0.01 million) was attributable to the loss from Spackman Media Group Limited ("**SMGL**"). In Q1 2019, the share of results of associate of a loss of US\$0.20 million was mainly attributable to the occasional seasonality of the artists' content projects performed. There were fewer major entertainment content projects that were recognized over the contractual period in Q1 2019.

Tax expense

The Group recorded tax expense of US\$0.49 million in Q1 2019 (Q1 2018: tax expense of US\$0.45 million) mainly due to taxable earnings generated by Zip Cinema Co., Ltd. ("**Zip Cinema**") and Frame Pictures in Q1 2019. Taxable earnings generated by Zip Cinema in Q1 2019 was mainly attributable to the recognition of share of profit for acting as the producer for *DEFAULT* of US\$1.68 million.

Profit before tax

As a result of the above, the Group recorded a profit before tax of US\$1.76 million in Q1 2019 as compared to a profit before tax of US\$1.06 million in Q1 2018.

Consolidated Statement of Financial Position

Non-current assets

The Group's non-current assets amounted to US\$50.19 million as at 31 March 2019. The decrease in non-current assets from US\$51.33 million as at 31 December 2018 was mainly due to:

- i) Decrease in property, plant and equipment of US\$0.41 million mainly attributable to the depreciation charged during the period; and
- ii) Decrease in financial assets at fair value through profit or loss of US\$0.39 million mainly attributable to the returns from the investments of US\$0.26 million received by Zip Cinema.

Current assets

The Group's current assets amounted to US\$19.16 million as at 31 March 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\$2.43 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\$2.76 million, mainly due to uncollected receivables related to pre-sale of Post-Theatrical right for *BOSTON 1947* of US\$1.10 million, increase in loan receivables of US\$1.24 million mainly in relation to short term loan to Spackman Media Group Pte. Ltd. ("**SMGPL**") of US\$0.93 million, and the acquisition of Greenlight Content Limited ("**Greenlight**") which contributed additional US\$0.61 million to trade and other receivables; and
- iii) Partially offset by a decrease in financial assets at fair value through profit or loss of US\$1.99 million mainly attributable to the returns from the investment in television drama project *TERIUS BEHIND ME* by Greenlight of US\$1.69 million.

Non-current liabilities

The Group's non-current liabilities amounted to US\$6.35 million as at 31 March 2019. The increase in non-current liabilities from US\$5.33 million as at 31 December 2018 was mainly due to advance received for future production of movies, which was solely contributed by Zip Cinema.

Current liabilities

The Group's current liabilities amounted to US\$7.96 million as at 31 March 2019. The decrease in current liabilities from US\$8.09 million as at 31 December 2018 was mainly due to:

- i. Decrease in contract liabilities of US\$0.19 million mainly due to decrease in advance received as the production of movies, namely *SOVEREIGN DEFAULT* and *CRAZY ROMANCE* progress over time reduction in advance received by Zip Cinema;
- ii. Decrease in trade and other payables of US\$0.21 million mainly due to partial settlement to costs payable to copyright supplier of *THE OUTLAWS*;
- iii. Decrease in borrowings of US\$0.14 million mainly due to reduction in the finance lease liabilities of US\$0.19 million held by Frame Pictures; and
- iv. Partially offset by an increase in tax payables of US\$0.45 million mainly due to taxable earnings generated by Zip Cinema in Q1 2019 of US\$2.10 million which is subjected to a tax rate of 22%. Taxable earnings generated by Zip Cinema in Q1 2019 was mainly attributable to the share of profit for acting as the producer for *DEFAULT*.

Consolidated Statement of Cash Flow

As at 31 March 2019, the Group had cash and cash equivalents amounting to US\$5.18 million as compared to cash and cash equivalents amounting to US\$2.74 million as at 31 March 2018.

The significant cash movements during Q1 2019 as compared to Q1 2018 can be summarized as follows:

Net cash generated from operating activities for Q1 2019 amounted to US\$1.90 million as compared to net cash used in operating activities of US\$1.06 million for Q1 2018. The cash flow generated from operating activities for Q1 2019 was mainly due to operating profit before working capital changes of US\$2.15 million, partially offset by net working capital outflows of US\$0.27 million mainly resulting from an increase in receivables and contract assets of US\$1.10 million and partially offset by an increase in payables and contract liabilities of US\$0.90 million.

Cash flow generated from investing activities for Q1 2019 was US\$1.23 million as compared to cash flow used in investing activities of US\$0.07 million for Q1 2018. The cash flow generated from investing activities for Q1 2019 was mainly due to proceeds from disposal of investment in project of US\$2.03 million which was mainly due to proceeds from disposal of investment in television drama project *TERIUS BEHIND ME* of US\$1.69 million, partially offset by the cash outflow from short term loans granted of US\$1.24 million which was mainly to SMGPL of US\$0.93 million.

Cash flow used in financing activities was US\$0.67 million for Q1 2019 as compared to cash flow generated from financing activities of US\$0.89 million for Q1 2018. The cash flow used in financing activities in Q1 2019 was mainly due to repayment of loans of US\$0.93 million and purchase of treasury shares of US\$0.13 million, partially offset by the proceeds from additional loans of US\$0.48 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 organized into business units based on nature of the income for management purposes. The reportable segments are revenue from distribution of films and production of films.

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

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

	Distribution of films		Production of films		Leasing of equipment		Others		Total	
	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018
In US\$' million										
Revenue	0.35	4.89	3.51	3.72	0.75	1.02	0.63	0.88	5.24	10.51
Cost of sales	(0.10)	(3.42)	(1.36)	(3.68)	(0.23)	-	(0.16)	(0.34)	(1.85)	(7.44)
Share of results of associate	-	-	-	-	-	-	(0.20)	(0.01)	(0.20)	(0.01)
Segment gross results	0.25	1.47	2.15	0.04	0.52	1.02	0.27	0.53	3.19	3.06
Selling and general & administrative expenses	(0.10)	(0.84)	(0.99)	(0.64)	(0.21)	(0.17)	(0.18)	(0.15)	(1.48)	(1.80)
Segment net results	0.15	0.63	1.16	(0.60)	0.31	0.85	0.09	0.38	1.71	1.26
Unallocated other income:										
Other income									0.27	0.15
Unallocated expenses:										
Depreciation and amortization									(0.09)	(0.31)
Other expenses									(0.07)	-
Finance costs									(0.05)	(0.04)
Profit before tax									1.77	1.06
Tax expense									(0.49)	(0.45)
Profit for the period									1.28	0.61
Segment assets	1.54	8.64	15.67	6.58	3.35	1.80	2.82	1.55	23.38	18.57
Unallocated assets									45.97	41.56
Total assets									69.35	60.13
Segment liabilities	0.24	2.60	2.38	1.98	1.52	0.55	0.43	0.47	4.57	5.60
Unallocated liabilities									9.73	8.52
Total liabilities									14.30	14.12

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 upcoming romantic comedy film, *CRAZY ROMANCE*, produced by the Group's indirect wholly-owned subsidiary, Zip Cinema, completed filming and is currently in the post-production stage.

CRAZY ROMANCE is expected to premiere in Korea in 2019 and stars well-known actor, Kim Rae-won, and popular actress, Gong Hyo-jin. The film is presented and distributed by Next Entertainment World.

The Group's indirect wholly-owned subsidiary, Studio Take, founded by veteran movie producer Mr. Song Dae Chan, is expected to release its first production, a human drama film with the title *STONE SKIPPING*, in Korea in 2019. With the release of *STONE SKIPPING*, Studio Take shall start to expand the Group's film production capability.

The Group 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 in 2020.

Drama Production

On 23 April 2019, the Group signed a memorandum of understanding with Mediacorp to co-produce the first ever cross-border drama between Korea and Singapore. The 20-episode drama with the working title *EQUITY OF LOVE* is slated to commence production in 2019 and scheduled to telecast in the second half of 2020. Further details and cast line-up of the drama shall be announced accordingly in due course.

Post-theatrical & Camera Equipment Leasing

The Group is in the process of spinning off and listing its 51%-owned subsidiary, Novus Mediacorp, and its wholly-owned subsidiary, Frame Pictures, as a combined entity on the Catalist Board of the Singapore Exchange Securities Trading Limited. The Group believes that the aforementioned proposed listing can enable the combined entity of Novus Mediacorp and Frame Pictures to independently raise the capital necessary to unlock the full potential of its operations and projects, so as to capitalize on the rapidly growing post-theatrical and camera equipment leasing markets.

Spackman Media Group

The Group's 43.88% associated company, SMGL, is currently reviewing various options to finance future growth, including listing to maximize its potential value.

The Group views that by leveraging on SMGL's unparalleled portfolio of artists, the Group shall be able to participate into top tier content projects, strategically invest into collaborative businesses and expand its footprint in drama production.

As such, the Group shall constantly pursue unique opportunities to collaborate strategically with SMGL to access investment and participation opportunities into the highest quality content projects that were previously impossible to gain access.

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 Q1 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)	751 ⁽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. Use of Placement proceeds

The Company refers to the net proceeds amounting to S\$5.9 million raised from the placement of 38,100,000 new ordinary shares of the Company as announced on 2 March 2017 (the “**Placement**”).

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

Use of proceeds	Amount allocated (S\$'000)	Amount allocated after the Reallocation ⁽³⁾ (S\$'000)	Amount utilized (S\$'000)	Balance (S\$'000)
(A) New business investments and acquisitions ⁽¹⁾	4,156	2,655	(2,655)	-
(B) General working capital ⁽²⁾	1,781	3,282	(3,282)	-
Total	5,937	5,937	(5,937)	-

Notes:

(1) Utilised for:

- Acquisition of Frame Pictures
- Acquisition of Take Pictures
- Acquisition of NSY Group Pte. Ltd., which owns Nunsongyee
- Acquisition of Skin Inc
- Acquisition of Makers Studio

(2) Utilised for:

- Audit and professional fees (S\$913,801);
- Personnel expenses (S\$1,095,091);
- Rental expenses (S\$876,859); and
- Others (S\$395,213).

(3) The Company has reallocated S\$1,501,000 allocated for new business investments and acquisitions to general working capital (“**Reallocation**”) as the Company has no immediate and definite plans to use the allocated net proceeds for new business investments and acquisitions. As such, the Company is of the view that the Reallocation would be more efficient and in the best interests of the Company and its shareholders for the time being.

16. 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).

17. 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 financial period ended 31 March 2019 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

John Ko, Jihwan

CEO

Date: 14 May 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.

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