

spackmanentertainmentgroup

(Company Registration No.:201401201N)

Unaudited Financial Statement and Dividend Announcement For the Three Months and the Six Months Ended 30 June 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			Group Six Months Ended		
	30 June 2019 (Unaudited) US\$'000	30 June 2018 (Unaudited) US\$'000	Change %	30 June 2019 (Unaudited) US\$'000	30 June 2018 (Unaudited) US\$'000	Change %
Revenue	1,837	1,664	10	7,075	12,175	(42)
Cost of sales	(1,549)	(840)	84	(3,409)	(8,286)	(59)
Gross profit	288	824	(65)	3,666	3,889	(6)
Other income	114	42	NM	329	178	85
Interest income	29	26	12	84	47	79
Selling expenses	(158)	(152)	4	(309)	(325)	(5)
General and administrative expenses	(1,462)	(1,695)	(14)	(2,882)	(3,635)	(21)
Finance costs	(62)	(43)	44	(110)	(79)	39
Other expenses	(64)	(302)	(79)	(135)	(305)	(56)
Share of results of an associate	(269)	(324)	(17)	(464)	(337)	38
(Loss)/profit before tax	(1,584)	(1,624)	(2)	179	(567)	NM
Tax credit/(expense)	36	96	(63)	(450)	(349)	29
Loss for the period	(1,548)	(1,528)	1	(271)	(916)	(70)
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	-	(131)	NM	(66)	(124)	(47)
Currency translation difference arising from consolidation	(206)	(543)	(62)	(358)	(496)	(28)
Total comprehensive loss for the period	(1,754)	(2,202)	(20)	(695)	(1,536)	(55)
Loss for the period attributable to:						
Equity holders of the Company	(1,531)	(1,553)	(1)	(183)	(1,231)	(85)
Non-controlling interests	(17)	25	NM	(88)	315	NM
	(1,548)	(1,528)	1	(271)	(916)	(70)
Total comprehensive loss for the period attributable to:						
Equity holders of the Company	(1,717)	(2,173)	(21)	(568)	(1,801)	(68)
Non-controlling interests	(37)	(29)	28	(127)	265	NM
	(1,754)	(2,202)	(20)	(695)	(1,536)	(55)

NM – Not meaningful

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

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

	Three Months Ended			Six Months Ended		
	30 June 2019 (Unaudited) US\$'000	30 June 2018 (Unaudited) US\$'000	Change %	30 June 2019 (Unaudited) US\$'000	30 June 2018 (Unaudited) US\$'000	Change %
Personnel expenses	682	705	(3)	1,230	1,370	(10)
Rent expense	-	320	NM	78	639	(88)
Travel expense	51	63	(19)	78	107	(27)
Entertainment expense	76	72	6	165	178	(7)
Service expenses	361	178	NM	730	695	5
Depreciation and amortisation	572	288	99	911	613	49
Interest expense	62	43	44	110	79	39
Interest income	(29)	(26)	12	(84)	(47)	79
Foreign exchange gain, net	(175)	(122)	43	(109)	(74)	47

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 June 2019 (Unaudited) US\$'000	31 December 2018 (Audited) US\$'000	30 June 2019 (Unaudited) US\$'000	31 December 2018 (Audited) US\$'000
Assets				
Investment in subsidiaries	-	-	38,668	38,668
Investment in associated company	21,122	21,687	20,244	20,244
Property, plant and equipment	6,897	7,227	36	44
Right-of-use assets	835	-	196	-
Intangible assets	18,761	18,840	-	-
Film production inventories	1,378	1,190	-	-
Deferred tax assets	370	329	-	-
Trade and other receivables	602	784	-	-
Financial assets at fair value through profit or loss	892	1,273	460	460
Non-current assets	50,857	51,330	59,604	59,416
Financial assets at fair value through profit or loss	2,650	4,597	-	-
Loan to a subsidiary	-	-	-	1,409
Trade and other receivables	8,562	5,427	2,508	726
Contract assets	642	2,038	-	-
Film production inventories	1,256	1,402	-	-
Inventories	10	9	-	-
Cash and cash equivalents	4,435	2,744	391	285
Current assets	17,555	16,217	2,899	2,420
Total assets	68,412	67,547	62,503	61,836
Liabilities				
Borrowings	2,474	3,321	-	-
Lease liabilities	219	-	63	-
Other non-current liabilities	111	84	-	-
Contract liabilities	1,820	599	-	-
Deferred tax liabilities	1,263	1,324	-	-
Non-current liabilities	5,887	5,328	63	-
Trade and other payables	2,722	2,739	216	337
Contract liabilities	2,601	2,901	-	-
Borrowings	2,414	1,717	2,794	1,413
Lease liabilities	452	-	109	-
Film obligation and production loans	388	441	-	-
Tax payables	650	293	-	-
Current liabilities	9,227	8,091	3,119	1,750
Total liabilities	15,114	13,419	3,182	1,750
Net assets	53,298	54,128	59,321	60,086

	Group		Company	
	30 June 2019 (Unaudited) US\$'000	31 December 2018 (Audited) US\$'000	30 June 2019 (Unaudited) US\$'000	31 December 2018 (Audited) US\$'000
Share capital and reserves				
Share capital	64,411	64,411	64,411	64,411
Treasury shares	(339)	(205)	(339)	(205)
Other reserves	(2,715)	(2,329)	-	-
Accumulated losses	(9,078)	(8,895)	(4,751)	(4,120)
Equity attributable to equity holders of the Company, total	52,279	52,982	59,321	60,086
Non-controlling interests	1,019	1,146	-	-
Total equity	53,298	54,127	59,321	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 June 2019 (Unaudited)		As at 31 December 2018 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
1,107	1,307	1,277	440

Amount repayable after one year

As at 30 June 2019 (Unaudited)		As at 31 December 2018 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
1,990	484	2,334	987

Details of any collateral

The Group's short term borrowing of US\$259,336 is secured over a credit guarantee by Korea Credit Guarantee Fund ("KCGF"), short-term borrowings of US\$198,824 is secured over a mortgage of the land and a building with carrying amounts of US\$2,830,764 (31 December 2018: US\$2,963,507), short term borrowings of US\$394,980 are finance lease liabilities, of which the carrying value of equipment under finance lease agreements are US\$521,684 (31 December 2018: US\$788,796), and the remaining short-term borrowings of US\$254,149 is secured over a personal guarantee by a subsidiary's chief executive officer.

The Group's long-term borrowing of US\$1,391,770 is secured over a mortgage of the land and a building with carrying amounts of US\$2,830,764 (31 December 2018: US\$2,963,507), long-term borrowing of US\$511,824 are finance lease liabilities, of which the carrying value of equipment under finance lease agreements are US\$521,684 (31 December 2018: US\$788,796) and the remaining long-term borrowings of US\$86,445 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		6 Months Ended	
	30 June 2019 (Unaudited) US\$'000	30 June 2018 (Unaudited) US\$'000	30 June 2019 (Unaudited) US\$'000	30 June 2018 (Unaudited) US\$'000
Operating activities				
(Loss)/Profit before income tax	(1,584)	(1,624)	179	(567)
Adjustments for:				
Depreciation of property, plant and equipment	249	242	543	520
Depreciation of right-of-use assets	278	-	278	-
Amortisation of intangible assets	45	46	90	93
Interest income	(29)	(26)	(84)	(47)
Interest expense	62	43	110	79
Fair value loss on investment in mutual funds	-	183	-	183
Share of results of associated company	269	324	464	337
Loss/(gain) on disposition of investments	5	-	(132)	-
Reversal of loss on film borne by external investors	-	2	-	4
Operating (loss)/profit before working capital changes	(705)	(810)	1,448	602
Working capital changes				
Inventories	(3)	(1)	(2)	1
Film production inventories	(39)	(160)	(41)	23
Receivables and contract assets	609	973	(486)	2,717
Payables and contract liabilities	(322)	(1,706)	573	(5,916)
Currency translation adjustments	233	(280)	65	(236)
Cash (used in)/generated from operations	(227)	(1,984)	1,557	(2,809)
Interest received	19	5	58	8
Income tax paid	(242)	(228)	(259)	(467)
Net cash (used in)/generated from operating activities	(450)	(2,207)	1,356	(3,268)
Investing activities				
Short term loans granted	-	(625)	(1,169)	(630)
Collection of short term loans	1	151	27	216
Purchases of property, plant and equipment	(487)	(310)	(488)	(1,192)
Proceeds from disposal of property, plant and equipment	-	12	-	12
Purchases of intangible assets	(41)	(28)	(41)	(28)
Acquisition of a subsidiary, net cash acquired	-	-	-	427
Purchases of investments	(102)	(31)	(113)	(33)
Proceeds from disposal of investments	-	-	257	237
Disposal of investments in project	-	1,618	2,028	1,711
Decrease of leasehold deposit	60	-	254	-
Net cash (used in)/generated from investing activities	(569)	787	755	720
Financing activities				
Repayment of borrowings	(480)	(558)	(1,406)	(692)
Proceeds from borrowings	780	555	1,260	1,242
Proceeds from film obligations and production loans	8	-	-	373
Repayment of film obligations and production loans	-	(1,338)	(38)	(1,339)

	Group			
	3 Months Ended		6 Months Ended	
	30 June 2019 (Unaudited) US\$'000	30 June 2018 (Unaudited) US\$'000	30 June 2019 (Unaudited) US\$'000	30 June 2018 (Unaudited) US\$'000
Purchase of treasury shares	-	(35)	(134)	(35)
Interest paid	(62)	(43)	(110)	(78)
Net cash generated from/(used in) financing activities	246	(1,419)	(428)	(529)
Net change in cash and cash equivalents	(773)	(2,839)	1,683	(3,077)
Cash and cash equivalents at beginning of financial period	5,176	5,977	2,744	6,237
Effect of exchange rate changes	32	145	8	123
Cash and cash equivalents at end of the financial period	4,435	3,283	4,435	3,283
Cash and cash equivalents comprise:				
Cash and bank balances	4,219	2,441	4,219	2,441
Money market funds	216	842	216	842
	4,435	3,283	4,435	3,283

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 April 2019	64,411	(339)	(2,529)	(7,547)	53,996	1,056	55,052
Loss for the period	-	-	-	(1,531)	(1,531)	(17)	(1,548)
Currency translation difference on consolidation	-	-	(186)	-	(186)	(20)	(206)
	-	-	(186)	(1,531)	(1,717)	(37)	(1,754)
Balance as at 30 June 2019	64,411	(339)	(2,715)	(9,078)	52,279	1,019	53,298
Group (unaudited)							
Balance as at 1 April 2018 as previously stated	53,092	(134)	(2,247)	(5,774)	44,937	1,069	46,006
Impact on adoption of SFRS(I)1	-	-	662	(662)	-	-	-
Prior year adjustments	(294)	-	-	-	(294)	-	(294)
Balance as at 1 April 2018 as restated*	52,798	(134)	(1,585)	(6,436)	44,643	1,069	45,712
Loss for the period				(1,553)	(1,553)	25	(1,528)
<i>Other comprehensive loss for the period</i>							
Share of other comprehensive loss of associated company	-	-	(131)	-	(131)	-	(131)
Currency translation difference on consolidation	-	-	(489)	-	(489)	(54)	(543)
	-	-	(620)	(1,553)	(2,173)	(29)	(2,202)
Share issued for additional acquisition of associated company	6,864	-	-	-	6,864	-	6,864
Purchase of treasury shares	-	(35)	-	-	(35)	-	(35)
Balance as at 30 June 2018	59,662	(169)	(2,205)	(7,989)	49,299	1,040	50,339

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 April 2019	64,411	(339)	(4,417)	59,655
Loss for the period	-	-	(334)	(334)
Balance as at 30 June 2019	64,411	(339)	(4,751)	59,321

Company (Unaudited)

Balance as at 1 April 2018 as previously stated	53,092	(134)	(3,206)	49,752
Prior year adjustments	(294)	-	-	(294)
Balance as at 1 April 2018, as restated	52,798	(134)	(3,206)	49,458
Share issued for additional acquisition of associated company	6,864	-	-	6,864
Purchase of treasury shares	-	(35)	-	(35)
Loss for the period	-	-	(310)	(310)
Balance as at 30 June 2018	59,662	(169)	(3,516)	55,977

* 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.

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 April and 30 June 2019	1,040,614,708	US\$64,410,807

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

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

There were 9,649,100 treasury shares (representing 0.93% of the Company’s 1,040,614,708 ordinary shares) as at 30 June 2019. There were 2,499,100 treasury shares (representing 0.31% of the Company’s 795,980,674 ordinary shares) as at 30 June 2018.

There were also no subsidiary holdings as at 30 June 2019 and 30 June 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 June 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, 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 to 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 6 months ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Loss per share ("LPS")				
Loss attributable to shareholders of the Company (US\$)	(1,530,714)	(1,553,464)	(182,778)	(1,230,590)
Weighted average number of ordinary shares in issue	1,030,965,608	720,335,210	1,031,230,801	680,084,303
Basic and fully diluted basis LPS (US cents) ^{(1) (2)}	(0.15)	(0.22)	(0.02)	(0.18)
Adjusted LPS (US cents) ⁽³⁾	(0.15)	(0.20)	(0.02)	(0.16)

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 1,030,965,608 ordinary shares in issue (excluding treasury shares) as at 30 June 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 June 2019	31 December 2018	30 June 2019	31 December 2018
Net asset value (US\$)	53,298,929	54,127,990	59,321,548	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\$)	0.052	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

Revenue

Six months ended 30 June 2019 ("6M 2019") vs Six months ended 30 June 2018 ("6M 2018")

The breakdown of revenue in 6M 2019 and 6M 2018 is as follows:

Source of revenue	Group	
	6M 2019 (Unaudited) US\$ million	6M 2018 (Unaudited) US\$ million
Production of films	4.19	3.94
Distribution of films and others (*)	0.90	5.55
Leasing of equipment	1.13	1.55
Sales of content	0.20	0.30
Consulting services	0.18	0.25
Restaurant sales and café lounge business	0.19	0.24
Photography	0.04	0.05
Others	0.25	0.30
Total	7.08	12.18

(*) 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 42% year-on-year ("YoY") to US\$7.08 million in 6M 2019, mainly due to the followings:

- (i) Absence of the sales of distribution rights / video on demand sales (the "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\$4.79 million in 6M 2018; and
- (ii) Decrease of US\$0.42 million from leasing of equipment to third parties by Frame Pictures Co., Ltd. ("Frame Pictures").

Three months ended 30 June 2019 (“Q2 2019”) vs Three months ended 30 June 2018 (“Q2 2018”)

The breakdown of revenue in Q2 2019 and Q2 2018 is as follows:

	Group	
	Q2 2019 (Unaudited) US\$ million	Q2 2018 (Unaudited) US\$ million
Source of revenue		
Production of films	0.68	0.22
Distribution of films and others (*)	0.55	0.66
Leasing of equipment	0.38	0.53
Consulting services	-	0.01
Restaurant sales and café lounge business	0.11	0.15
Photography	0.03	0.03
Others	0.09	0.07
Total	1.84	1.67

(*) 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 10% YoY to US\$1.84 million in Q2 2019, mainly due to the increase in revenue from production of films. The increase was mainly due to higher percentage-of-completion of “#ALONE” (produced by Zip Cinema Co., Ltd. (“**Zip Cinema**”) and distributed by a third party, Lotte Entertainment) and *CRAZY ROMANCE* of US\$0.56 million and US\$0.06 million respectively based on costs incurred relative to total expected costs in Q2 2019 as compared to that for *DEFAULT* of US\$0.19 million in Q2 2018.

The increase was partially offset by a decrease of US\$0.15 million from leasing of equipment to third parties by Frame Pictures.

Cost of sales

6M 2019 vs 6M 2018

The breakdown of cost of sales in 6M 2019 and 6M 2018 is as follows:

	Group	
	6M 2019 (Unaudited) US\$ million	6M 2018 (Unaudited) US\$ million
Cost of sales		
Production of films	2.23	3.92
Distribution of films and others (*)	0.51	3.79
Leasing of equipment	0.45	0.11
Sales of content	0.10	0.20
Consulting services	0.01	-
Restaurant sales and café lounge business	0.09	0.09
Others	0.02	0.18
Total	3.41	8.29

(*) 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 59% YoY to US\$3.41 million in 6M 2019, mainly due to the followings:

- (i) Absence of the copyright fee of *THE OUTLAWS* of US\$3.57 million from distribution of films and other in 6M 2018; and
- (ii) A decrease of US\$1.69 million from production of films mainly due to lower production costs incurred in 6M 2019 for *CRAZY ROMANCE* and “#ALONE” of US\$1.67 million and US\$0.54 million as compared to the production costs that were incurred in 6M 2018 for *DEFAULT* of US\$2.71 million and *GOLDEN SLUMBER* of US\$1.12 million, based on the stage of completion method.

The decrease was partially offset by an increase of US\$0.34 million from leasing of equipment to third parties by Frame Pictures.

Q2 2019 vs Q2 2018

The breakdown of cost of sales in Q2 2019 and Q2 2018 is as follows:

	Group	
	Q2 2019 (Unaudited) US\$ million	Q2 2018 (Unaudited) US\$ million
Cost of sales		
Production of films	0.86	0.24
Distribution of films and others (*)	0.41	0.37
Leasing of equipment	0.22	0.11
Sales of content	-	0.03
Restaurant sales and café lounge business	0.06	0.06
Others	-	0.03
Total	1.55	0.84

(*) 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 84% YoY to US\$1.55 million in Q2 2019, mainly due to the followings:

- (i) Higher production costs incurred in Q2 2019 for “#ALONE” and *CRAZY ROMANCE* of US\$0.54 million and US\$0.32 million as compared to the production costs that were incurred in Q2 2018 for *DEFAULT* of US\$0.19 million, based on the percentage-of-completion method; and
- (ii) Increase of US\$0.11 million from leasing of equipment to third parties by Frame Pictures.

Gross profit

6M 2019 vs 6M 2018

The Group recorded a gross profit of US\$3.67 million in 6M 2019 as compared to a gross profit of US\$3.89 million in 6M 2018. Gross profit margin had improved from 32% in 6M 2018 to 52% in 6M 2019 mainly due to the recognition of share of profit for acting as the producer for *DEFAULT* of US\$1.73 million in 6M 2019 compared with the gross profit of US\$1.19 million from distributing *THE OUTLAWS* in 6M 2018.

Q2 2019 vs Q2 2018

The Group recorded a gross profit of US\$0.29 million in Q2 2019 as compared to a gross profit of US\$0.82 million in Q2 2018. Gross profit margin decreased from 50% in Q2 2018 to 16% in Q2 2019 mainly due to the followings:

- (i) gross profit of US\$0.16 million in Q2 2019 as opposed to US\$0.42 million in Q2 2018 from leasing of equipment to third parties by Frame Picture; and
- (ii) gross profit of US\$0.08 million in Q2 2019 as opposed to US\$0.24 million in Q2 2018 from distribution of several motion films by Novus.

Other income

6M 2019 vs 6M 2018

Other income increased by 85% YoY from US\$0.18 million in 6M 2018 to US\$0.33 million in 2019 mainly due to gain of US\$0.13 million on investments 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 Pte. Ltd. ("**Take Pictures**") of US\$0.03 million.

Q2 2019 vs Q2 2018

Other income increased by US\$0.07 million to US\$0.11 million in Q2 2019, mainly due to an increase in foreign currency transaction gain of US\$0.04 million.

General and administrative expenses

6M 2019 vs 6M 2018

General and administrative expenses decreased by 21% YoY from US\$3.64 million in 6M 2018 to US\$2.88 million in 6M 2019 mainly due to lower operating costs which is in line with the lower revenue in 6M 2019.

Q2 2019 vs Q2 2018

General and administrative expenses decreased by 14% YoY from US\$1.70 million in 6M 2018 to US\$1.46 million in 6M 2019 mainly due to lower rent expense arising from the adoption of SFRS (I) 16.

Other expenses

6M 2019 vs 6M 2018

Other expenses decreased by US\$0.17 million or 56% YoY to US\$0.14 million in 6M 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 6M 2018.

Q2 2019 vs Q2 2018

Other expenses decreased by US\$0.24 million or 79% YoY to US\$0.06 million in Q2 2019 mainly due to an absence of non-recurring expenses incurred in relation to impairment loss of investment in films of US\$0.18 million in 6M 2018 due to same reason as explained above and a decrease in foreign currency translation loss of US\$0.06 million.

Share of results of associate

6M 2019 vs 6M 2018

The share of results of associate of a loss of US\$0.46 million in 6M 2019 (6M 2018: US\$0.34 million) was mainly attributable to the loss from Spackman Media Group Limited (“**SMGL**”) of US\$0.44 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 6M 2019.

Q2 2019 vs Q2 2018

The share of results of associate of a loss of US\$0.27 million in Q2 2019 (Q2 2018: US\$0.32 million) was mainly attributable to the loss of US\$0.26 million incurred by SMGL due to same reason as explained above.

Tax credit/(expense)

6M 2019 vs 6M 2018

The Group recorded tax expense of US\$0.45 million in 6M 2019 (6M 2018: tax expense of US\$0.35 million) mainly due to taxable earnings generated by Zip Cinema in 6M 2019. Taxable earnings generated by Zip Cinema in 6M 2019 was mainly attributable to the recognition of share of profit for acting as the producer for *DEFAULT* of US\$1.73 million.

Q2 2019 vs Q2 2018

The Group recorded tax credit of US\$0.04 million in Q2 2019 (Q2 2018: tax credit of US\$0.10 million) mainly due to lower taxable earnings generated by Zip Cinema in Q2 2019 as compared to Q1 2019.

(Loss)/profit before tax

6M 2019 vs 6M 2018

As a result of the above, the Group recorded a profit before tax of US\$0.18 million in 6M 2019 as compared to a loss before tax of US\$0.57 million in 6M 2018.

Q2 2019 vs Q2 2018

As a result of the above, the Group recorded a loss before tax of US\$1.58 million in Q2 2019 as compared to a loss before tax of US\$1.62 million in Q2 2018.

Consolidated Statement of Financial Position

Non-current assets

The Group's non-current assets amounted to US\$50.86 million as at 30 June 2019. The decrease in non-current assets from US\$51.33 million as at 31 December 2018 was mainly due to:

- i) Decrease in investment in associated company of US\$0.57 million mainly attributable to the share of losses of US\$0.55 million from SMGL;
- ii) Decrease in property, plant and equipment of US\$0.33 million mainly attributable to the depreciation charged during the period;
- iii) Decrease in financial assets at fair value through profit or loss of US\$0.38 million mainly attributable to the returns from the long-term investments of US\$0.26 million received by Zip Cinema; and
- iv) Partially offset by an increase in ROU assets by US\$0.84 million due to the adoption of SFRS(I) 16 on 1 January 2019.

Current assets

The Group's current assets amounted to US\$17.56 million as at 30 June 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\$1.69 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\$3.14 million, mainly due to an increase in advance payment of US\$2.42 million and an increase in loan receivables of US\$1.12 million mainly in relation to interest-bearing short-term loan to Spackman Media Group Pte. Ltd. ("**SMGPL**") of US\$0.76 million. Increase in advance payment mainly in relation to film and TV drama projects;
- iii) Partially offset by a decrease in financial assets at fair value through profit or loss of US\$1.95 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\$1.40 million mainly due to the billing of receivables during 6M 2019.

Non-current liabilities

The Group's non-current liabilities amounted to US\$5.89 million as at 30 June 2019. The increase in non-current liabilities from US\$5.33 million as at 31 December 2018 was mainly due to increase in contract liabilities of US\$1.22 million in relation to advance received for future production of movies and increase in lease liabilities of US\$0.22 million following the adoption of SFRS (I) 16.

The increase was partially offset by a decrease in borrowings of US\$0.85 million due to settlement of loans.

Current liabilities

The Group's current liabilities amounted to US\$9.23 million as at 30 June 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\$0.70 million for the purpose of working capital and increase in lease liabilities of US\$0.45 million following the adoption of SFRS (I) 16.

Consolidated Statement of Cash Flow

As at 30 June 2019, the Group had cash and cash equivalents amounting to US\$4.44 million as compared to cash and cash equivalents amounting to US\$3.28 million as at 30 June 2018.

The significant cash movements during Q2 2019 as compared to Q2 2018 can be summarised as follows:

Cash flow used in operating activities for Q2 2019 amounted to US\$0.45 million as compared to cash used in operating activities of US\$2.21 million for Q2 2018. The cash flow used in operating activities for Q2 2019 was mainly due to operating loss before working capital changes of US\$0.71 million, income tax paid of US\$0.24 million, and partially offset by net working capital inflows of US\$0.48 million mainly resulting from a decrease in receivables of US\$0.61 million.

Cash flow used in investing activities for Q2 2019 was US\$0.57 million as compared to cash flow generated from investing activities of US\$0.79 million for Q2 2018. The cash flow used in investing activities for Q2 2019 was mainly due to purchases of property, plant and equipment of US\$0.49 million.

Cash flow generated from financing activities was US\$0.25 million for Q2 2019 as compared to cash flow used in financing activities of US\$1.42 million for Q2 2018. The cash generated from financing activities in Q2 2019 was mainly due to proceeds from borrowings of US\$0.78 million for working capital purpose and partially offset by repayment of 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 organised into business units based on nature of the income for management purposes. The reportable segments are revenue from distribution of films, production of films and leasing of equipment.

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

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

	Distribution of films		Production of films		Leasing of equipment		Others		Total	
	6M 2019	6M 2018	6M 2019	6M 2018	6M 2019	6M 2018	6M 2019	6M 2018	6M 2019	6M 2018
In US\$' million										
Revenue	0.90	5.55	4.19	3.94	1.13	1.55	0.86	1.14	7.08	12.18
Cost of sales	(0.51)	(3.79)	(2.23)	(3.92)	(0.45)	(0.11)	(0.22)	(0.47)	(3.41)	(8.29)
Share of results of associate	-	-	-	-	-	-	(0.47)	-	(0.47)	-
Gain on project investment	-	-	-	-	-	-	0.13	-	0.13	-
Segment gross results	0.39	1.76	1.96	0.02	0.68	1.44	0.30	0.67	3.33	3.89
Selling and general & administrative expenses	(0.35)	(1.54)	(1.62)	(1.09)	(0.44)	(0.43)	(0.33)	(0.32)	(2.74)	(3.38)
Segment net results	0.04	0.22	0.34	(1.07)	0.24	1.01	(0.03)	0.35	0.59	0.51
Unallocated other income:										
Other income									0.28	0.22
Unallocated expenses:										
Depreciation and amortisation									(0.46)	(0.58)
Other expenses									(0.12)	(0.30)
Finance costs									(0.11)	(0.08)
Loss before tax									0.18	(0.57)
Tax expense									(0.45)	(0.35)
Loss for the period									(0.27)	(0.92)
Segment assets	2.74	8.09	12.85	5.75	3.47	2.26	2.63	1.66	21.69	17.76
Unallocated assets									46.72	43.39
Total assets									68.41	61.15
Segment liabilities	0.46	1.24	2.15	0.88	1.49	0.35	0.45	0.25	4.55	2.72
Unallocated liabilities									10.56	7.80
Total liabilities									15.11	10.52

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

During the first half of the year, the South Korean box office recorded a 13.5% increase in total admissions to an all-time high of 109.3 million and a 16.0% surge in total sales to a record KRW930.7 billion (US\$795.4 million) over the same period, according to the Korean Film Council.

The Group's upcoming romantic comedy film, *CRAZY ROMANCE*, produced by the Group's indirect wholly owned subsidiary, Zip Cinema, is set to release in Korea in the second half of 2019. Presented and distributed by Next Entertainment World, *CRAZY ROMANCE* stars well-known actor, Kim Rae-won, and popular actress, Gong Hyo-jin.

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 in 2019.

On 15 July 2019, the Group announced its proposed acquisition of Simplex Films Limited ("**Simplex**"), a Korean film production firm headed by award-winning producer, Lim Ji-young (the "**Proposed Acquisition**"). Simplex's upcoming maiden film following the Proposed Acquisition, *JESTERS: THE GAME CHANGERS*, a historical comedy film starring Cho Jin-woong of *THE SPY GONE NORTH* (2018) and Son Hyun-joo of *ORDINARY PERSON* (2017), is expected to be released on 21 August 2019 in Korea.

The Group believes that the acquisition of Simplex can allow the Group to expand its film production capacity annually and strengthen the performance of its film production business.

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 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 16-episode drama with the working title *EQUITY OF LOVE* is slated to commence production in 2019 and scheduled to telecast in 2021. Further details and cast line-up of the drama shall be announced accordingly in due course.

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 Q2 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. 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 6 months financial periods ended 30 June 2019 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

John Ko, Jihwan

CEO

Date: 14 August 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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