

spackmanentertainmentgroup

(Company Registration No.:201401201N)

Unaudited Financial Statement and Dividend Announcement For the Three Months and the Nine Months Ended 30 September 2018

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 Nine Months Ended		
	30 September 2018 (Unaudited) US\$'000	30 September 2017 (Unaudited) US\$'000	Change %	30 September 2018 (Unaudited) US\$'000	30 September 2017 (Unaudited) US\$'000	Change %
	Revenue	2,380	1,754	36	14,555	12,218
Cost of sales	(997)	(1,120)	(11)	(9,283)	(6,230)	49
Gross profit	1,383	634	NM	5,272	5,988	(12)
Other income	136	48	NM	361	3,324	(89)
Selling expenses	(181)	(191)	(5)	(505)	(458)	10
General and administrative expenses	(1,918)	(1,446)	33	(5,553)	(3,952)	41
Finance costs	(117)	(27)	NM	(196)	(68)	NM
Other expenses	(2)	(32)	(94)	(307)	(669)	(54)
Share of results of an associate	(297)	5	NM	(635)	41	NM
(Loss)/Profit before tax	(996)	(1,009)	(1)	(1,563)	4,206	NM
Tax credit/(expense)	134	168	(20)	(215)	(617)	(65)
(Loss)/Profit for the period	(862)	(841)	2	(1,778)	3,589	NM
Other comprehensive (loss)/income						
<i>Items that are or may be reclassified subsequently to profit or loss</i>						
Share of other comprehensive income/(loss) of associated company	76	(12)	NM	(49)	67	NM
Currency translation difference arising from consolidation	85	(79)	NM	(410)	219	NM
Total comprehensive (loss)/income for the period	(701)	(932)	(25)	(2,237)	3,875	NM
(Loss)/Profit for the period attributable to:						
Equity holders of the company	(925)	(770)	20	(2,155)	3,811	NM
Non-controlling interests	63	(71)	NM	377	(222)	NM
	(862)	(841)	2	(1,778)	3,589	NM
Total comprehensive (Loss)/Profit for the period attributable to:						
Equity holders of the Company	(775)	(861)	(10)	(2,577)	4,059	NM
Non-controlling interests	74	(71)	NM	340	(184)	NM
	(701)	(932)	(25)	(2,237)	3,875	NM

NM – Not meaningful

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

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

	Three Months Ended			Nine Months Ended		
	30 September	30 September	Change	30 September	30 September	Change
	2018	2017		2018	2017	
(Unaudited)	(Unaudited)	%	(Unaudited)	(Unaudited)	%	
	US\$'000	US\$'000		US\$'000	US\$'000	
Personnel expenses	623	608	2	1,993	1,734	15
Rent expense	293	299	(2)	932	811	15
Travel expense	76	48	58	183	130	41
Entertainment expense	78	100	(22)	256	216	19
Service expenses	417	209	100	1,112	655	70
Impairment loss on film production inventories	-	25	NM	-	75	NM
Depreciation and amortization	345	216	60	958	527	82
Reversal of loss on film borne by external investors	1	11	(91)	5	364	(99)
Gain on disposal of associate	-	-	NM	-	(2,985)	NM
Interest expense	117	27	NM	196	68	NM
Interest income	(23)	(36)	(36)	(70)	(58)	21
Foreign exchange (gain)/loss, net	(28)	46	NM	46	(88)	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 2018 (Unaudited) US\$'000	31 December 2017 (Restated*) US\$'000	30 September 2018 (Unaudited) US\$'000	31 December 2017 (Audited) US\$'000
Assets				
Investment in subsidiaries	-	-	35,333	23,008
Investment in associated company	21,408	9,303	20,244	8,955
Property, plant and equipment	7,467	7,125	48	11
Intangible assets	14,288	5,780	-	-
Film production inventories	1,554	748	-	-
Deferred tax assets	269	131	-	-
Long-term trade and other receivables	843	838	-	-
Long-term investment	776	786	460	460
Non-current assets	46,605	24,711	56,085	32,434
Film production inventories	789	820	-	-
Inventories	1,207	7	-	-
Investments	4,555	5,879	-	-
Loan to subsidiaries	-	-	1,394	1,179
Trade and other receivables	6,463	8,734	659	545
Cash and cash equivalents	3,550	6,237	73	764
Current assets	16,564	21,677	2,126	2,488
Total assets	63,169	46,388	58,211	34,922
Liabilities				
Borrowings	3,324	2,940	-	-
Other non-current liabilities	78	73	-	-
Deferred tax liabilities	427	466	-	-
Non-current liabilities	3,829	3,479	-	-
Trade and other payables	4,607	8,382	500	490
Film obligation and production loans	1,437	2,579	-	-
Borrowings	1,838	1,252	612	-
Deferred revenue	162	681	-	-
Tax payables	280	306	-	-
Current liabilities	8,324	13,200	1,112	490
Total liabilities	12,153	16,679	1,112	490
Net assets	51,016	29,709	57,099	34,432
Share capital and reserves				
Share capital	61,076	37,461	61,076	37,461
Treasury shares	(205)	(134)	(205)	(134)
Other reserves	(2,055)	(1,634)	-	-
Accumulated losses	(8,914)	(6,758)	(3,772)	(2,895)
Equity attributable to equity holders of the Company, total	49,902	28,935	57,099	34,432
Non-controlling interests	1,114	774	-	-
Total equity	51,016	29,709	57,099	34,432

* The consolidated statement of financial position as at 1 January 2017 have been restated as a result of the adoption of the Singapore Financial Reporting Standards (International) (“SFRS(I)”).

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(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 2018 (Unaudited)		As at 31 December 2017 (Audited)	
Secured US\$’000	Unsecured US\$’000	Secured US\$’000	Unsecured US\$’000
1,138	700	1,252	-

Amount repayable after one year

As at 30 September 2018 (Unaudited)		As at 31 December 2017 (Audited)	
Secured US\$’000	Unsecured US\$’000	Secured US\$’000	Unsecured US\$’000
2,840	484	2,940	-

Details of any collateral

The Group’s short term borrowing of US\$89,871 is secured over a credit guarantee by Korea Credit Guarantee Fund (“KCGF”), short-term borrowings of US\$103,055 is secured over a mortgage of the land and a building with carrying amounts of US\$2,995,353 (31 December 2017: US\$3,165,233), short term borrowings of US\$662,461 are finance lease liabilities, of which the carrying value of equipment under finance lease agreements are US\$968,179 (31 December 2017: US\$1,036,107) and the remaining short-term borrowings of US\$282,196 is secured over a personal guarantee by a subsidiary’s chief executive officer.

The Group’s long-term borrowing of US\$1,860,340 is secured over a mortgage of the land and a building with carrying amounts of US\$2,995,353 (31 December 2017: US\$3,165,233), long-term borrowing of US\$844,477 are finance lease liabilities, of which the carrying value of equipment under finance lease agreements are US\$968,179 (31 December 2017: US\$1,036,107) and the remaining long-term borrowings of US\$134,807 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 2018	30 September 2017	30 September 2018	30 September 2017
	(Unaudited) US\$'000	(Unaudited) US\$'000	(Unaudited) US\$'000	(Unaudited) US\$'000
Operating activities				
(Loss)/Profit before income tax	(996)	(1,009)	(1,563)	4,206
Adjustments for:				
Depreciation and amortization	345	216	958	527
Interest income	(23)	(36)	(70)	(58)
Dividend income	(11)	-	(11)	-
Interest expense	117	27	196	68
Impairment loss on film production inventories	-	25	-	75
Fair value loss on investment in mutual funds	-	-	182	-
Share of results of associated company	297	(5)	635	(41)
Gain on disposal of associate	-	-	-	(2,985)
Gain on short term investments	(21)	-	(21)	-
Gain on valuation of financial instrument	-	(10)	-	(20)
Loss on disposition of investments	-	1	-	188
Reversal of loss on film borne by external investors	1	11	5	364
Operating (loss)/profit before working capital changes	(291)	(780)	311	2,324
Working capital changes				
Inventories	(1)	2	-	(3)
Film production inventories	(40)	23	(17)	(314)
Receivables	(144)	(42)	2,573	(179)
Payables	1,613	(199)	(4,303)	(2,465)
Currency translation adjustments	(107)	58	(342)	(38)
Cash generated from /(used in) operations	1,030	(938)	(1,778)	(675)
Interest received	3	8	10	17
Income tax paid	(14)	(141)	(481)	(272)
Net cash generated from /(used in) operating activities	1,019	(1,071)	(2,249)	(930)
Investing activities				
Short term loans granted	(139)	(1,259)	(472)	(2,321)
Collection of short-term loans	420	307	339	456
Purchases of property, plant and equipment	(225)	(196)	(1,418)	(523)
Proceeds from disposal of property, plant and equipment	-	-	12	-
Purchases of intangible assets	(2)	-	(31)	-
Acquisition of associated company	-	-	-	(114)
Additional acquisition of subsidiary shares	-	(44)	427	(44)
Purchases of short-term investments	(1,519)	(263)	(1,552)	(264)
Proceeds from disposal of short-term investments	487	880	487	880
Purchases of long-term investments	-	(13)	-	(39)
Acquisition of investment in securities	-	(898)	-	(1,255)
Disposal of Investment in securities	2	18	240	229
Acquisition of investments in project	-	(142)	-	(2,139)
Disposal of investments in project	81	91	1,793	879

	Group			
	3 Months Ended		9 Months Ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US\$'000	US\$'000	US\$'000	US\$'000
Decrease of leasehold deposit	-	92	-	92
Increase of leasehold deposit	-	-	-	(84)
Dividend received	11	-	11	-
Net cash used in investing activities	(884)	(1,427)	(164)	(4,247)
Financing activities				
Repayment of borrowings*	(594)	(621)	(1,286)	(896)
Proceeds from borrowings*	877	727	2,120	1,273
Payment of box office proceeds to investors	-	(1)	-	(309)
Proceeds from film obligations and production loans	1,965	94	2,339	1,932
Repayment of film obligations and production loans	(2,046)	(1)	(3,385)	(263)
Issuance of shares	-	-	-	4,257
Treasury shares	(35)	(134)	(71)	(134)
Interest paid	(36)	(28)	(114)	(82)
Net cash generated from/(used in) financing activities	131	36	(397)	5,778
Net change in cash and cash equivalents	266	(2,462)	(2,810)	601
Cash and cash equivalents at beginning of financial period	3,283	9,295	6,237	5,936
Effect of exchange rate changes	1	(29)	123	218
Cash generated from the acquisition of subsidiary	-	-	-	49
Cash and cash equivalents at end of the financial period	3,550	6,804	3,550	6,804
Cash and cash equivalents comprise:				
Cash and bank balances	2,298	4,986	2,298	4,986
Money market funds	1,252	1,818	1,252	1,818
	3,550	6,804	3,550	6,804

* Increase/decrease in finance lease liabilities in 9 months ended 30 September 2017 and 3 months ended 30 September 2017 were reclassified to proceeds from borrowings and repayment of borrowings accordingly in order to be consistent with the classification in the Balance Sheet.

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 →						
	Share capital	Treasury shares	Other reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
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)	-	-	-
Balance as at 1 July 2018, as restated	59,956	(169)	(2,205)	(7,989)	49,593	1,040	50,633
Loss for the period	-	-	-	(925)	(925)	63	(862)
<i>Other comprehensive profit 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	61,076	(205)	(2,055)	(8,914)	49,902	1,114	51,016
Balance as at 1 July 2017 as previously stated	32,313	-	(3,042)	(4,491)	24,780	535	25,315
Impact on adoption of SFRS(I)1	-	-	662	(662)	-	-	-
Balance as at 1 July 2017, as restated	32,313	-	(2,380)	(5,153)	24,780	535	25,315
Loss for the period	-	-	-	(770)	(770)	(71)	(841)
<i>Other comprehensive loss for the period</i>							
Share of other comprehensive loss of associated company	-	-	(12)	-	(12)	-	(12)
Currency translation difference on consolidation	-	-	(79)	-	(79)	-	(79)
	-	-	(91)	(770)	(861)	(71)	(932)
Purchase of treasury shares	-	(134)	-	-	(134)	-	(134)
Balance as at 30 September 2017	32,313	(134)	(2,471)	(5,923)	23,785	464	24,249

Statement of Changes in Equity

Company (unaudited)	Share capital	Treasury shares	Accumulated losses	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 July 2018	59,956	(169)	(3,516)	56,271
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	61,076	(205)	(3,772)	57,099
Balance as at 1 July 2017	32,313	-	(1,908)	30,405
Purchase of treasury shares	-	(134)	-	(134)
Loss for the period	-	-	(321)	(321)
Balance as at 30 September 2017	32,313	(134)	(2,229)	29,950

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 July 2018	795,980,674	(2,449,100)	US\$59,956,545	(US\$169,435)
Issuance of consideration shares for acquisition of an associate ⁽¹⁾	94,634,034	-	US\$1,119,698	-
Number of shares purchased ⁽²⁾	-	(1,000,000)	-	(US\$35,474)
Balance as at 30 September 2018	890,614,708	(3,449,100)	US\$61,076,243	(US\$204,909)

Notes:

(1) The Company had on 4 September 2018 issued and allotted 94,634,034 new ordinary shares of the Company in relation to the acquisition of an additional 4.23% equity interest in Spackman Media Group Limited (“SMGL”).

(2) The Company purchased an aggregate of 1,000,000 shares between 2 July 2018 and 4 July 2018. There were 3,449,100 treasury shares, representing 0.39% of the total number of outstanding shares in issue (excluding treasury shares) as at 30 September 2018. There were 1,699,100 treasury shares as at 30 September 2017 and represent 0.37% of the total number of outstanding shares in issue (excluding treasury shares) as at 30 September 2017.

There were also no subsidiary holdings as at 30 September 2018 and 30 September 2017. The Company did not have any outstanding options or convertibles as at 30 September 2018 and 30 September 2017.

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 2018	As at 31 December 2017
Total number of issued shares excluding treasury shares	887,165,608	515,470,416

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 2017 ("FY2017").

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 FY2017 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		Group	
	3 months ended		9 months ended	
(Loss)/Earnings per share (“(LPS)/EPS”)	30 September 2018	30 September 2017	30 September 2018	30 September 2017
(Loss)/Profit attributable to shareholders of the Company (US\$)	(925,168)	(770,498)	(2,155,757)	3,810,558
Weighted average number of ordinary shares in issue	819,294,997	462,281,626	728,986,808	443,947,722
Basic and fully diluted basis (LPS)/EPS (US cents) ^{(1) (2)}	(0.11)	(0.17)	(0.30)	0.86
Adjusted (LPS)/EPS (US cents) ⁽³⁾	(0.10)	(0.17)	(0.24)	0.83

Notes:

- (1) The basic and fully diluted basic (LPS)/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 (excluding treasury shares).
- (2) The basic and fully diluted basic (LPS)/EPS are the same as there were no potentially dilutive ordinary shares in existence during the respective periods.
- (3) For comparative purposes, the adjusted (LPS)/EPS of the Group for period ended 30 September 2018 was calculated based on 887,165,608 ordinary shares in issue (excluding treasury shares).

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 2018	31 December 2017	30 September 2018	31 December 2017
Net asset value (US\$)	51,015,947	29,709,053	57,099,202	34,431,597
Number of ordinary shares in issue (excluding treasury shares)	887,165,608	515,470,416	887,165,608	515,470,416
Net asset value per ordinary share (US\$)	0.058	0.058	0.064	0.067

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 2018 ("9M 2018") vs Nine months ended 30 September 2017 ("9M 2017")

The breakdown of revenue in 9M 2018 and 9M 2017 is as follows:

Source of revenue	Group	
	9M 2018 (Unaudited) US\$ million	9M 2017 (Unaudited) US\$ million
Production of films	4.20	5.35
Distribution of films and others (*)	6.25	5.15
Leasing of equipment	2.65	1.15
Sales of content	0.32	-
Consulting services	0.25	-
Restaurant sales and café lounge business	0.34	0.45
Photography	0.08	0.12
Others	0.47	-
Total	14.56	12.22

(*) 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 post-theatrical market.

Revenue increased by 19% year-on-year ("YoY") to US\$14.56 million in 9M 2018, mainly due to the following:

- (i) an increase of US\$1.10 million from distribution of films and others mainly due to the recognition 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\$5.04 million in 9M 2018, as opposed to the recognition of the share of profit for acting as the producer for *MASTER* of US\$3.98 million and return on investment as a passive investor for *MASTER* of US\$0.20 million in 9M 2017;
- (ii) an increase of US\$1.50 million from leasing of equipment to third parties by Frame Pictures Co., Ltd. ("**Frame Pictures**") which was acquired on 31 March 2017; and
- (iii) the acquisition of Constellation Agency Pte. Ltd. ("**Constellation**") on 25 January 2018 resulted in an increase of US\$0.32 million in sales of content, US\$0.20 million in consulting services and US\$0.33 million in others. Others mainly comprised of revenue from the production of commercial films and talent management.

The increase was partially offset by a decrease in production of films of US\$1.15 million due to lower revenue from the production of films was recorded in 9M 2018 as the percentage-of-completion of *DEFAULT* (based on costs incurred relative to total expected costs) in 9M 2018 was lower compared to that *GOLDEN SLUMBER* in 9M 2017.

Three months ended 30 September 2018 (“Q3 2018”) vs Three months ended 30 September 2017 (“Q3 2017”)

The breakdown of revenue in Q3 2018 and Q3 2017 is as follows:

Source of revenue	Group	
	Q3 2018 (Unaudited) US\$ million	Q3 2017 (Unaudited) US\$ million
Production of films	0.26	0.32
Distribution of films and others (*)	0.70	0.41
Leasing of equipment	1.10	0.82
Sales of content	0.02	-
Restaurant sales and café lounge business	0.10	0.15
Photography	0.03	0.05
Others	0.17	-
Total	2.38	1.75

(*) 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 post-theatrical market.

Revenue increased by 36% YoY to US\$2.38 million in Q3 2018, mainly due to the following:

- (i) an increase of US\$0.29 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 *THE OUTLAWS* of US\$0.25 million in Q3 2018;
- (ii) an increase of US\$0.28 million from leasing of equipment to third parties by Frame Pictures; and
- (iii) the acquisition of Constellation resulted in an increase of US\$0.02 million in sales of content and US\$0.10 million in others. Others mainly comprised of revenue from the production of commercial films and talent management.

Cost of sales

9M 2018 vs 9M 2017

The breakdown of cost of sales in 9M 2018 and 9M 2017 is as follows:

Cost of sales	Group	
	9M 2018 (Unaudited) US\$ million	9M 2017 (Unaudited) US\$ million
Production of films	4.13	5.10
Distribution of films and others (*)	4.24	0.96
Leasing of equipment	0.17	0.03
Sales of content	0.19	-
Restaurant sales and café lounge business	0.13	0.14
Others	0.42	-
Total	9.28	6.23

(*) 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 post-theatrical market.

Cost of sales increased by 49% YoY to US\$9.28 million in 9M 2018, mainly attributable to the following:

- (i) an increase of US\$3.28 million from distribution of films and others due to the copyright fee of *THE OUTLAWS* of US\$4.01 million in 9M 2018, partially offset by a decrease of US\$0.73 million due to fewer motion films distributed by the Group in 9M 2018;
- (ii) the acquisition of Constellation resulted in an increase of US\$0.19 million in sales of content and US\$0.19 million in others. Others mainly comprised of costs incurred from the production of commercial films and talent management;
- (iii) pre-production costs incurred for creative content by Zip Cinema resulted in an increase of US\$0.18 million in others; and
- (iv) an increase of US\$0.14 million from leasing of equipment to third parties by Frame Pictures.

The increase was partially offset by a decrease of US\$0.97 million from production of films mainly due to lower production costs incurred in 9M 2018 for *DEFAULT* as compared to the production costs that were incurred in 9M 2017 for *GOLDEN SLUMBER*, based on the percentage-of-completion method.

Q3 2018 vs Q3 2017

The breakdown of cost of sales in Q3 2018 and Q3 2017 is as follows:

	Group	
	Q3 2018 (Unaudited) US\$ million	Q3 2017 (Unaudited) US\$ million
Cost of sales		
Production of films	0.30	0.29
Distribution of films and others (*)	0.45	0.74
Leasing of equipment	0.06	0.03
Restaurant sales and café lounge business	0.04	0.06
Others	0.15	-
Total	1.00	1.12

(*) 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 post-theatrical market.

Cost of sales decreased by 11% YoY to US\$1.00 million in Q3 2018, mainly due to a decrease of US\$0.29 million from distribution of films and others due to fewer motion films distributed by the Group in Q3 2018.

The decrease was partially offset by an increase of US\$0.15 million from others mainly due to pre-production costs incurred for creative content by Zip Cinema of US\$0.09 million and newly acquired wholly owned subsidiary, Constellation which contributed US\$0.06 million which mainly comprised of costs incurred from the production of commercial films and talent management.

Gross profit

9M 2018 vs 9M 2017

The Group recorded a gross profit of US\$5.27 million in 9M 2018 as compared to a gross profit of US\$5.99 million in 9M 2017, mainly because there was an absence of share of profit for acting as the producer for *MASTER* of US\$3.98 million and return of investment as a passive investor for *MASTER* of US\$0.20 million in 9M 2017. This was partially offset by:

- (i) gross profit of US\$1.03 million from distributing *THE OUTLAWS* in 9M 2018 and share of profit for acting as the producer for *MASTER* of US\$0.29 million in 9M 2018;
- (ii) gross profit of US\$2.48 million in 9M 2018 as opposed to US\$1.12 million in 9M 2017 from leasing of equipment to third parties by Frame Pictures; and
- (iii) newly acquired wholly owned subsidiary, Constellation which contributed US\$0.47 million to the gross profit in 9M 2018.

Q3 2018 vs Q3 2017

The Group recorded a gross profit of US\$1.38 million in Q3 2018 as compared to a gross profit of US\$0.63 million in Q3 2017. The improved gross profit was mainly due to:

- (i) gross profit of US\$0.25 million in Q3 2018 as opposed to gross loss of US\$0.55 million in Q3 2017 from distribution of other motion films by the Group in Q3 2017;
- (ii) gross profit of US\$1.04 million in Q3 2018 as opposed to US\$0.79 million in Q3 2017 from leasing of equipment to third parties by Frame Pictures; and
- (iii) newly acquired wholly owned subsidiary, Constellation which contributed US\$0.09 million to the gross profit in Q3 2018.

Other income

9M 2018 vs 9M 2017

Other income decreased by 89% YoY to US\$0.36 million in 9M 2018, mainly because there was an absence of non-recurring gain of US\$2.99 million in 9M 2017 on partial disposal of 497,250 shares of the Company's associated company, SMGL, as part of the purchase consideration of the acquisition of Frame Pictures.

Q3 2018 vs Q3 2017

Other income increased by US\$0.09 million to US\$0.14 million in Q3 2018, mainly due to an increase in foreign currency transaction gain of US\$0.06 million.

General and administrative expenses

9M 2018 vs 9M 2017

General and administrative expenses increased by US\$1.60 million or 41% YoY to US\$5.55 million in 9M 2018 mainly due to the acquisition of the Frame Pictures which resulted in an increase in general and administrative expenses of US\$1.07 million. The acquisition of Take Pictures Pte. Ltd (“**Take Pictures**”) and Constellation resulted in an increase of US\$0.38 million in general and administrative expenses in 9M 2018 as opposed to 9M 2017.

Q3 2018 vs Q3 2017

General and administrative expenses increased by US\$0.47 million or 33% YoY to US\$1.92 million in Q3 2018 was for the same reasons as explained in the 9M 2018 versus 9M 2017 commentary.

Other expenses

9M 2018 vs 9M 2017

Other expenses decreased by US\$0.36 million or 54% YoY to US\$0.31 million in 9M 2018, mainly due to an absence of expenses incurred in relation to the reversal of loss on film borne by external investor of US\$0.36 million in relation to the *LIFE RISKING ROMANCE* (co-presented by Novus) in 9M 2017.

Q3 2018 vs Q3 2017

There was no significant change in other expenses.

Share of results of associate

9M 2018 vs 9M 2017

The share of results of associate of a loss of US\$0.64 million in 9M 2018 (9M 2017: a profit of US\$0.04 million) was attributable to the loss of US\$0.44 million incurred by SMGL and Spackman Media Group Pte. Ltd. (“**SMGPL**”) mainly due to finance expense.

Q3 2018 vs Q3 2017

The share of results of associate of a loss of US\$0.30 million in Q3 2018(Q3 2017: a profit of US\$0.01 million) was for the same reasons as explained in the 9M 2018 versus 9M 2017 commentary.

Tax credit/(expense)

9M 2018 vs 9M 2017

The Group recorded tax expense of US\$0.22 million in 9M 2018 (9M 2017: tax expense of US\$0.62 million) mainly due to taxable earnings generated by Novus and Frame Pictures in 9M 2018. Taxable earnings generated by Novus and Frame Pictures in 9M 2018 was mainly attributable to the Post-theatrical sales for the post-theatrical market in Korea for *THE OUTLAWS* and leasing of equipment to third parties respectively.

Q3 2018 vs Q3 2017

There was no significant change in tax credit.

(Loss)/profit before tax

9M 2018 vs 9M 2017

As a result of the above, the Group recorded a loss before tax of US\$1.56 million in 9M 2018 as compared to a profit before tax of US\$4.21 million in 9M 2017.

Q3 2018 vs Q3 2017

As a result of the above, the Group recorded a loss before tax of US\$1.00 million in Q3 2018 as compared to a loss before tax of US\$1.01 million in Q3 2017.

Consolidated Statement of Financial Position

Non-current assets

The Group's non-current assets amounted to US\$46.61 million as at 30 September 2018. The increase in non-current assets from US\$24.71 million as at 31 December 2017 was mainly due to:

- i) Increase in investment in associated company of US\$12.11 million mainly due to additional acquisition of 4,565,000 shares in SMGL at a consideration of US\$11.29 million, an indirect increase in investment in SMGL by 500,000 shares, of US\$1.50 million via the acquisition of Constellation on 25 January 2018, partially offset by share of losses of US\$0.66 million from SMGL and share of losses of US\$0.02 million from The Makers Studio Co, Ltd. ("**The Makers Studio**");
- ii) Increase in intangible assets of US\$8.51 million mainly attributable to goodwill of US\$8.65 million arising from the acquisition of Constellation, partially offset by amortization of intangible assets of US\$0.14 million; and
- iii) Increase in film production inventories of US\$0.81 million mainly related to several movies in the development stage.

Current assets

The Group's current assets amounted to US\$16.56 million as at 30 September 2018. The decrease in current assets from US\$21.68 million as at 31 December 2017 was mainly due to:

- i) Decrease in investments of US\$1.32 million mainly attributable to decrease in investment in theatrical projects and investment in short term fund of US\$1.03 million and US\$0.31 million respectively;
- ii) Decrease in trade and other receivables of US\$2.27 million mainly due to collection of trade receivables related to the Post-Theatrical sales for *THE OUTLAWS* of US\$2.16 million and collection of camera lease receivables for several movies and TV drama of US\$0.66 million, and partially offset by the acquisition of Constellation which contributed US\$0.53 million to trade and other receivables;
- iii) Decrease in cash and cash equivalents of US\$2.69 million, mainly due to the reasons as explained under the discussion for the "Consolidated Statement of Cash Flow" below; and
- iv) Partially offset by an increase in inventories of US\$1.20 million mainly due to the acquisition of Constellation which contributed US\$1.20 million.

Non-current liabilities

The Group's non-current liabilities amounted to US\$3.83 million as at 30 September 2018, an increase of US\$0.35 million as compared to US\$3.48 million as at 31 December 2017, mainly due to long-term borrowing of US\$0.48 million held by Upper West as at 30 September 2018 for its business expansion. The increase was partially offset by US\$0.07 million due to favorable exchange rate effects on existing borrowings and repayment of long-term borrowing of US\$0.05 million by Frame Pictures.

Current liabilities

The Group's current liabilities amounted to US\$8.32 million as at 30 September 2018. The decrease in current liabilities from US\$13.20 million as at 31 December 2017 was mainly due to:

- i) Decrease in trade and other payables of US\$3.78 million mainly due to the partial settlement to costs payable to copyright supplier of *THE OUTLAWS* and *MAN OF WILL* of US\$2.11 million and US\$0.02 million respectively by Novus, partial settlement to costs payable related to *MASTER* of US\$0.45 million by Zip Cinema and a decrease in other payables of US\$0.23 million of Frame Pictures mainly due to the settlement of camera leasing; and
- ii) Decrease in film obligation and production loans of US\$1.14 million mainly due to the repayments to film investors of *GOLDEN SLUMBER* of US\$1.19 million.

Consolidated Statement of Cash Flow

As at 30 September 2018, the Group had cash and cash equivalents amounting to US\$3.55 million as compared to cash and cash equivalents amounting to US\$6.80 million as at 30 September 2017.

The significant cash movements during Q3 2018 as compared to Q3 2017 can be summarised as follows:

Cash flow generated from operating activities for Q3 2018 amounted to US\$1.02 million as compared to cash used in operating activities of US\$1.07 million for Q3 2017. The cash flow generated from operating activities for Q3 2018 was mainly due to net working capital inflows of US\$1.32 million mainly resulting from an increase in payables of US\$1.61 million and partially offset by an increase in receivables of US\$0.14 million and currency translation adjustments of US\$0.11 million. In addition, operating loss before working capital changes of US\$0.29 million partially offset the cash inflows from operating activities.

Cash flow used in investing activities for Q3 2018 was US\$0.88 million as compared to cash flow used in investing activities of US\$1.43 million for Q3 2017. The cash flow used in investing activities for Q3 2018 was mainly due to purchases of short-term investments of US\$1.52 million and partially offset by the proceeds from disposal of short-term investments of US\$0.49 million.

Cash flow generated from financing activities was US\$0.13 million for Q3 2018 as compared to cash flow generated from financing activities of US\$0.04 million for Q3 2017. The cash generated from financing activities in Q3 2018 was mainly due to proceeds from film obligations and production loans of US\$1.97 million from film investors of *GOLDEN SLUMBER* and proceeds from borrowings of US\$0.88 million, offset by repayment of film obligations and productions loans of US\$2.05 million to film investors of *GOLDEN SLUMBER* and repayment of borrowings of US\$0.59 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	
	9M 2018	9M 2017	9M 2018	9M 2017	9M 2018	9M 2017	9M 2018	9M 2017	9M 2018	9M 2017
In US\$' million										
Revenue	6.25	5.15	4.20	5.35	2.65	1.15	1.46	0.57	14.56	12.22
Cost of sales	(4.24)	(0.96)	(4.13)	(5.10)	(0.17)	(0.03)	(0.74)	(0.14)	(9.28)	(6.23)
Reversal of loss on film borne by external investor	-	(0.36)	-	-	-	-	-	-	-	(0.36)
Impairment loss on film production inventories	-	-	-	(0.08)	-	-	-	-	-	(0.08)
Gain on disposal of associated company	-	-	-	-	-	-	-	2.99	-	2.99
Segment gross results	2.01	3.83	0.07	0.17	2.48	1.12	0.72	3.42	5.28	8.54
Selling and general & administrative expenses	(2.22)	(1.64)	(1.49)	(1.69)	(0.94)	(0.37)	(0.51)	(0.18)	(5.16)	(3.88)
Segment net results	(0.21)	2.19	(1.42)	(1.52)	1.54	0.75	0.21	3.24	0.12	4.66
Unallocated other income:										
Other income									0.34	0.33
Unallocated expenses:										
Share of results of associate									(0.63)	0.04
Depreciation and amortization									(0.90)	(0.53)
Other expenses									(0.29)	(0.23)
Finance costs									(0.20)	(0.07)
(Loss)/profit before tax									(1.56)	4.20
Tax expense									(0.22)	(0.61)
(Loss)/profit for the period									(1.78)	3.59
Segment assets	7.41	2.35	4.98	2.44	3.15	0.53	1.70	0.25	17.24	5.57
Unallocated assets									45.93	31.37
Total assets									63.17	36.94
Segment liabilities	1.00	2.32	0.67	2.41	0.42	0.51	0.23	0.25	2.32	5.49
Unallocated liabilities									9.83	7.20
Total liabilities									12.15	12.69

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

According to the Korean Film Council, the Korean box office recorded a 42% year-on-year (“YoY”) jump in revenue to KRW 144.0 billion (or US\$128.1 million) with a 32% YoY increase in total number of admissions to 16.8 million in September this year. In terms of homegrown titles, the total number of admissions grew by 5.8 million YoY to 11.8 million, posting a 113.3% YoY rise in revenues to KRW 100.8 billion (or US\$89.7 million). Local films dominated the box office in Korea, capturing approximately 70% of the total market share.

The Group’s upcoming financial thriller film, *DEFAULT*, produced by the Group’s indirect wholly-owned subsidiary, Zip Cinema Co., Ltd. (“**Zip Cinema**”), is set to release in Korea on 28 November 2018. Starring leading Korean actor Yoo Ah-in of the Group’s associated company, Spackman Media Group Limited (“**SMGL**”), veteran actress Kim Hye-soo and French actor Vincent Cassel, *DEFAULT* was screened at the 71st Cannes International Film Festival. The film is directed by Choi Kook-hee and distributed by CJ Entertainment.

The estimated total production budget (including prints and advertising costs) for *DEFAULT* is tentatively set at approximately KRW 9.7 billion (or US\$8.6 million).

The Group owns a 100% equity interest in Take Pictures Pte. Ltd. (“**Take Pictures**”) which wholly-owns Studio Take Co., Ltd. (“**Studio Take**”), founded by veteran movie producer Mr. Song Dae-chan. Studio Take’s first production is upcoming human drama movie, *STONE SKIPPING*, which was screened at the 23rd Busan International Film Festival in October 2018. The film is expected to be released in Korea in the first half of next year. With the release of *STONE SKIPPING*, Studio Take has started to contribute to the Group’s film production capability.

The Group owns a 20% equity interest in The Makers Studio Co. Ltd., 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 slated to be released in the second half of 2019.

Drama Production

The Group’s first co-produced drama, *TERIUS BEHIND ME*, headlined by top tier Korean actor So Ji Sub of SMGL, led viewership ratings on its premiere day in Korea. The romantic comedy mystery drama achieved #1 position in drama viewership ratings for its time slot since its premiere in Korea.

The Group hopes to continue to increase its drama production pipeline to add to its film production business and to capitalize on the rising popularity of Korean drama in Southeast Asia.

Acquisition

In October 2018, the Group announced its proposed acquisition of Greenlight Content Limited (“**Greenlight Content**”) which is primarily involved in the business of investing into dramas and movies, as well as providing consulting services for the production of Korean content. Headed by Mr. John Ko, a 20-year veteran in the media and technology sector, Greenlight Content is one of the main investors of the Group’s first co-produced drama, *TERIUS BEHIND ME*. The Group believes that the acquisition of Greenlight Content allows the Group to reinforce its foothold in the Korean drama sector and raise the utilization rate of SMGL to participate in the highest quality entertainment content projects.

Post-theatrical & Camera Equipment Leasing

Previously, the Group announced that it intends to spin-off Novus Mediacorp and its wholly-owned subsidiary Frame Pictures Co., Ltd. ("**Frame Pictures**") into a combined entity to seek listing on the Catalist Board of the Singapore Exchange Securities Trading Limited (the "**Proposed Listing**").

On 25 October 2018, the Group announced a clarification in relation to a Korean news article published by South Korean daily newspaper Kukmin Ilbo on a proposed acquisition of the Group's 51%-owned subsidiary, Novus Mediacorp Co., Ltd. ("**Novus Mediacorp**") by a large Chinese real estate company. The Group wishes to inform that discussions between Novus Mediacorp and the Chinese real estate company are on-going and are still at a preliminary stage. There is also no assurance that any transaction will materialize in connection to the proposed disposal of Novus Mediacorp as stated in the news article.

The Group shall consider and explore all options that are beneficial to its shareholders with respect to either the Proposed Listing or the potential sale of Novus Mediacorp. The Group shall keep shareholders updated (by way of announcements on SGXNET) of any material developments of the Proposed Listing, as and when appropriate.

The major pipelines of Novus Mediacorp and Frame Pictures for the year as of the date of this announcement are as follows:

In July 2018, the Group announced that Novus Mediacorp owned the post-theatrical rights to the comedy film, *ROSE OF BETRAYAL*, which was released in Korea in October 2018.

In August 2018, Frame Pictures secured four major camera equipment deals for Korean film *GIRL COPS* and three Korean dramas namely, *THE GREATEST DIVORCE*, *THE BEAUTY INSIDE* and *HUNDRED MILLION STARS FROM THE SKY*. The total contract value for the four camera equipment deals tentatively stands at KRW 573 million (approximately US\$0.5 million) subject to changes in final filming schedule. During April, May and June 2018, Frame Pictures won contracts to supply camera systems and equipment for major Korean drama series namely, *LIVE, MY MISTER*, *SUITS, MISTRESS, LIFE, THE GUESTS, LOVELY HORRIBLY* and historical Korean film *MALMOI*, with a total contract value of KRW1.8 billion (approximately US\$1.6 million).

Spackman Media Group Limited

As the Group views that the value of SMGL has the potential to increase significantly in the future, the Group has been taking opportunities to increase its shareholding in its 43.88% associated company, SMGL.

By leveraging on SMGL's unparalleled portfolio of artists, the Group shall be able to participate successfully in top tier content projects, develop a portfolio of strategic investments into collaborative businesses and reinforce its foray into drama production. The Group believes that SMGL's artist platform can value add to the Group's operations and allow the Group to profit from a multitude of direct and indirect channels including production fees, co-presenting fees, post-production fees, post-theatrical sales, investment returns and artist & endorsement/placement fees.

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

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

No dividend has been declared or recommended for Q3 2018.

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.

There were no IPT of S\$100,000 and above for Q3 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	3,156	(2,655)	501
(B) General working capital ⁽²⁾	1,781	2,781	(2,507)	274
Total	5,937	5,937	(5,162)	775

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\$715,880);
- Personnel expenses (S\$780,958);
- Rental expenses (S\$687,119); and
- Others (S\$322,361).

(3) The Company has reallocated S\$1,000,000 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 and 9 months financial periods ended 30 September 2018 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Richard Lee

Interim CEO and Executive Director

Date: 13 November 2018

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. The Sponsor and the SGX-ST assume 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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