

spackmanentertainmentgroup

(Company Registration No.:201401201N)

Unaudited Financial Statement and Dividend Announcement For the Three Months and the Six Months Ended 30 June 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 Six Months Ended		
	30 June 2018 (Unaudited)	30 June 2017 (Unaudited)	Change	30 June 2018 (Unaudited)	30 June 2017 (Unaudited)	Change
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	1,664	2,437	(32)	12,175	10,465	16
Cost of sales	(840)	(1,234)	(32)	(8,286)	(5,111)	62
Gross profit	824	1,203	(32)	3,889	5,354	(27)
Other income	68	121	(44)	225	3,276	(93)
Selling expenses	(152)	(153)	(1)	(325)	(267)	22
General and administrative expenses	(1,695)	(1,497)	13	(3,635)	(2,506)	45
Finance costs	(43)	(29)	48	(79)	(41)	93
Other expenses	(302)	(106)	NM	(305)	(637)	(52)
Share of results of an associate	(324)	210	NM	(337)	36	NM
(Loss)/Profit before tax	(1,624)	(251)	NM	(567)	5,215	NM
Tax credit/(expense)	96	(11)	NM	(349)	(785)	(56)
Profit/(Loss) for the period	(1,528)	(262)	NM	(916)	4,430	NM
Other comprehensive (loss)/income						
<i>Items that are or may be reclassified subsequently to profit or loss</i>						
Share of other comprehensive (loss)/income of associated company	(131)	(41)	NM	(124)	79	NM
Currency translation difference arising from consolidation	(543)	(275)	97	(496)	299	NM
Total comprehensive (loss)/income for the period	(2,202)	(578)	NM	(1,536)	4,808	NM

	Group			Group		
	Three Months Ended			Six Months Ended		
	30 June 2018 (Unaudited) US\$'000	30 June 2017 (Unaudited) US\$'000	Change %	30 June 2018 (Unaudited) US\$'000	30 June 2017 (Unaudited) US\$'000	Change %
(Loss)/Profit for the period attributable to:						
Equity holders of the Company	(1,553)	(212)	NM	(1,231)	4,581	NM
Non-controlling interests	25	(50)	NM	315	(151)	NM
	(1,528)	(262)	NM	(916)	4,430	NM
Total comprehensive (loss)/profit for the period attributable to:						
Equity holders of the Company	(2,173)	(517)	NM	(1,801)	4,920	NM
Non-controlling interests	(29)	(61)	(52)	265	(112)	NM
	(2,202)	(578)	NM	(1,536)	4,808	NM

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 2018	30 June 2017	Change	30 June 2018	30 June 2017	Change
	(Unaudited) US\$'000	(Unaudited) US\$'000		(Unaudited) US\$'000	(Unaudited) US\$'000	
Personnel expenses	705	594	19	1,370	1,126	22
Rent expense	320	300	7	639	512	25
Travel expense	63	38	66	107	82	30
Entertainment expense	72	76	(5)	178	116	53
Service expenses	178	239	(26)	695	424	64
Impairment loss on film production inventories	-	25	NM	-	50	NM
Depreciation and amortization	288	268	7	613	311	97
Reversal of loss on film borne by external investors	2	62	(97)	4	353	(99)
Gain on disposal of associate	-	-	NM	-	(2,985)	NM
Interest expense	43	29	48	79	41	93
Interest income	(26)	(13)	100	(47)	(22)	NM
Foreign exchange gain, net	(122)	(25)	NM	(74)	(134)	(45)

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 2018 (Unaudited) US\$'000	31 December 2017 (Audited) US\$'000	30 June 2018 (Unaudited) US\$'000	31 December 2017 (Audited) US\$'000
Assets				
Investment in subsidiaries	-	-	35,778	23,008
Investment in associated company	20,066	9,303	18,680	8,955
Property, plant and equipment	7,500	7,125	48	11
Intangible assets	14,770	5,780	-	-
Film production inventories	1,520	748	-	-
Deferred tax assets	207	131	-	-
Long-term trade and other receivables	915	838	-	-
Long-term investment	779	786	460	460
Non-current assets	45,757	24,711	54,966	32,434
Film production inventories	783	820	-	-
Inventories	1,206	7	-	-
Investments	3,539	5,879	-	-
Loan to subsidiaries	-	-	-	1,179
Trade and other receivables	6,584	8,734	1,823	545
Cash and cash equivalents	3,283	6,237	460	764
Current assets	15,395	21,677	2,283	2,488
Total assets	61,152	46,388	57,249	34,922
Liabilities				
Borrowings	3,250	2,940	-	-
Other non-current liabilities	74	73	-	-
Deferred tax liabilities	418	466	-	-
Non-current liabilities	3,742	3,479	-	-
Trade and other payables	2,998	8,382	591	490
Film obligation and production loans	1,481	2,579	-	-
Borrowings	1,480	1,252	387	-
Deferred revenue	473	681	-	-
Tax payables	345	306	-	-
Current liabilities	6,777	13,200	978	490
Total liabilities	10,519	16,679	978	490
Net assets	50,633	29,709	56,271	34,432
Share capital and reserves				
Share capital	59,956	37,461	59,956	37,461
Treasury shares	(169)	(134)	(169)	(134)
Other reserves	(2,867)	(2,296)	-	-
Accumulated losses	(7,327)	(6,096)	(3,516)	(2,895)
Equity attributable to equity holders of the Company, total	49,593	28,935	56,271	34,432
Non-controlling interests	1,040	774	-	-
Total equity	50,633	29,709	56,271	34,432

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 2018 (Unaudited)		As at 31 December 2017 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
1,413	67	1,252	-

Amount repayable after one year

As at 30 June 2018 (Unaudited)		As at 31 December 2017 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
2,908	342	2,940	-

Details of any collateral

The Group's short term borrowing of US\$133,726 is secured over a credit guarantee by Korea Credit Guarantee Fund ("KCGF"), short-term borrowings of US\$205,046 is secured over a mortgage of the land and a building with carrying amounts of US\$2,988,644 (31 December 2017: US\$3,165,233), short term borrowings of US\$794,190 are finance lease liabilities, of which the carrying value of equipment under finance lease agreements are US\$1,170,562 (31 December 2017: US\$1,036,107) and the remaining short-term borrowings of US\$279,932 is secured over a personal guarantee by a subsidiary's chief executive officer.

The Group's long-term borrowing of US\$1,845,413 is secured over a mortgage of the land and a building with carrying amounts of US\$2,988,644 (31 December 2017: US\$3,165,233), long-term borrowing of US\$928,716 are finance lease liabilities, of which the carrying value of equipment under finance lease agreements are US\$1,170,562 (31 December 2017: US\$1,036,107) and the remaining long-term borrowings of US\$133,726 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 2018 (Unaudited) US\$'000	30 June 2017 (Unaudited) US\$'000	30 June 2018 (Unaudited) US\$'000	30 June 2017 (Unaudited) US\$'000
Operating activities				
(Loss)/Profit before income tax from continuing operations	(1,624)	(251)	(567)	5,215
Adjustments for:				
Depreciation and amortization	288	268	613	311
Interest income	(26)	(13)	(47)	(22)
Interest expense	43	29	79	41
Impairment loss on film production inventories	-	25	-	50
Fair value loss on investment in mutual funds	183	-	183	-
Share of results of associated company	324	(210)	337	(36)
Gain on disposal of associate	-	-	-	(2,985)
Gain on valuation of financial instrument	-	(25)	-	(9)
Loss on disposition of investments	-	3	-	187
Reversal of loss on film borne by external investors	2	62	4	353
Operating (loss)/profit before working capital changes	(810)	(112)	602	3,105
Working capital changes				
Inventories	(1)	3	1	(5)
Film production inventories	(160)	(196)	23	(338)
Receivables	973	2,909	2,717	(137)
Payables	(1,706)	(1,128)	(5,916)	(2,266)
Currency translation adjustments	(280)	10	(236)	(97)
Cash (used in)/generated from operations	(1,984)	1,486	(2,809)	262
Interest received	5	3	8	9
Income tax paid	(228)	(130)	(467)	(131)
Net cash (used in)/generated from operating activities	(2,207)	1,359	(3,268)	140
Investing activities				
Short term loans granted	(625)	(1,053)	(630)	(1,061)
Collection of short term loans	151	61	216	149
Purchases of property, plant and equipment	(310)	(308)	(1,192)	(327)
Proceeds from disposal of property, plant and equipment	12	-	12	-
Purchases of intangible assets	(28)	-	(28)	-
Acquisition of a subsidiary, net cash acquired	-	-	427	-
Acquisition of associated company	-	-	-	(114)
Purchases of short term investments	(20)	-	(33)	-
Purchases of long term investments	-	(13)	-	(26)
Acquisition of investment in securities	-	-	-	(357)
Disposal of Investment in securities	(11)	211	237	211
Acquisition of investments in project	-	(1,959)	-	(1,998)
Disposal of investments in project	1,618	615	1,711	788
Increase of leasehold deposit	-	(84)	-	(84)
Net cash generated from/(used in) investing activities	787	(2,530)	720	(2,819)

	Group			
	3 Months Ended		6 Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US\$'000	US\$'000	US\$'000	US\$'000
Financing activities				
Repayment of borrowings	(558)	(104)	(692)	(148)
Proceeds from borrowings	555	244	1,242	266
Payment of box office proceeds to investors	-	(308)	-	(308)
Proceeds from film obligations and production loans	-	1,839	373	1,839
Repayment of film obligations and production loans	(1,338)	(263)	(1,339)	(263)
Decrease in finance lease liabilities	-	(127)	-	(127)
Increase in finance lease liabilities	-	280	-	280
Purchase of treasury shares	(35)	-	(35)	-
Issuance of shares	-	-	-	4,257
Interest paid	(43)	(42)	(78)	(54)
Net cash (used in)/generated from financing activities	(1,419)	1,519	(529)	5,742
Net change in cash and cash equivalents	(2,839)	348	(3,077)	3,063
Cash and cash equivalents at beginning of financial period	5,977	8,991	6,237	5,936
Effect of exchange rate changes	145	(44)	123	246
Cash generated from the acquisition of subsidiary	-	-	-	50
Cash and cash equivalents at end of the financial period	3,283	9,295	3,283	9,295
Cash and cash equivalents comprise:				
Continuing operations:				
Cash and bank balances	2,441	7,480	2,441	7,480
Money market funds	842	1,815	842	1,815
	3,283	9,295	3,283	9,295

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Statement of Changes in Equity

Group (unaudited)	← Attributable to equity holders of the Company →						Non-controlling interests	Total equity
	Share capital	Treasury shares	Other reserve	Accumulated losses	Total			
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000		
Balance as at 1 April 2018	53,092	(134)	(2,247)	(5,774)	44,937	1,069	46,006	
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	59,956	(169)	(2,867)	(7,327)	49,593	1,040	50,633	
Balance as at 1 April 2017	32,313	-	(2,737)	(4,279)	25,297	597	25,894	
Loss for the period	-	-	-	(212)	(212)	(50)	(262)	
<i>Other comprehensive loss for the period</i>								
Share of other comprehensive loss of associated company	-	-	(41)	-	(41)	-	(41)	
Currency translation difference on consolidation	-	-	(264)	-	(264)	(12)	(276)	
	-	-	(305)	(212)	(517)	(62)	(579)	
Balance as at 30 June 2017	32,313	-	(3,042)	(4,491)	24,780	535	25,315	

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 2018	53,092	(134)	(3,206)	49,752
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	59,956	(169)	(3,516)	56,271

Company (Unaudited)

Balance as at 1 April 2017	32,313	-	(1,688)	30,625
Loss for the period	-	-	(220)	(220)
Balance as at 30 June 2017	32,313	-	(1,908)	30,405

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 April 2018	694,372,809	(1,699,100)	US\$53,092,056	(US\$134,041)
Issuance of consideration shares for acquisition of an associate ⁽¹⁾	101,607,865	-	US\$6,864,489	-
Number of shares purchased ⁽²⁾	-	(750,000)	-	(US\$35,394)
Balance as at 30 June 2018	795,980,674	(2,449,100)	US\$59,956,545	(US\$169,435)

Notes:

(1) The Company had on 6 June 2018 issued and allotted 101,607,865 new ordinary shares of the Company in relation to the acquisition of an additional 7.52% equity interest in Spackman Media Group Limited (“SMGL”)

(2) The Company purchased an aggregate of 750,000 shares between 30 May 2018 and 1 June 2018.

The Company did not have any outstanding options or convertibles as at 30 June 2018 and 30 June 2017.

There were 2,449,100 treasury shares (representing 0.31% of the Company’s 795,980,674 ordinary shares) as at 30 June 2018. There were no treasury shares as at 30 June 2017.

There were also no subsidiary holdings as at 30 June 2018 and 30 June 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 June 2018	As at 31 December 2017
Total number of issued shares excluding treasury shares	793,531,574	515,470,416

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 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

The Group has applied the same accounting policies and methods of computation in the preparation of financial statements for the current financial period compared with the audited financial statements for FY2017, except for the adoption of the Financial Reporting Standards (“**FRS**”) and Interpretations of Financial Reporting Standards (“**INT FRS**”) that are mandatory for the accounting periods beginning on or after 1 January 2018. The adoption of these new and revised FRS and INT FRS did not result in any substantial change to the Group’s and the Company’s accounting policies and has no significant impact on the financial statements for the current financial reporting period.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

(Loss)/Earnings per share ("LPS)/EPS")	Group 3 months ended		Group 6 months ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
(Loss)/Profit attributable to shareholders of the Company (US\$)	(1,553,464)	(211,722)	(1,230,590)	4,581,056
Weighted average number of ordinary shares in issue	720,335,210	463,031,700	683,084,303	434,628,831
Basic and fully diluted basis (LPS)/EPS (US cents) ^{(1) (2)}	(0.22)	(0.05)	(0.18)	1.05
Adjusted (LPS)/EPS (US cents) ⁽³⁾	(0.20)	(0.05)	(0.16)	0.99

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.
- (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 June 2018 was calculated based on 793,531,574 ordinary shares in issue.

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 2018	31 December 2017	30 June 2018	31 December 2017
Net asset value (US\$)	50,633,209	29,709,053	56,271,119	34,431,597
Number of ordinary shares in issue (excluding treasury shares)	793,531,574	515,470,416	793,531,574	515,470,416
Net asset value per ordinary share (US\$)	0.064	0.058	0.071	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

Six months ended 30 June 2018 (“6M 2018”) vs Six months ended 30 June 2017 (“6M 2017”)

The breakdown of revenue in 6M 2018 and 6M 2017 is as follows:

Source of revenue	Group	
	6M 2018 (Unaudited) US\$ million	6M 2017 (Unaudited) US\$ million
Production of films	3.94	5.03
Distribution of films and others (*)	5.55	4.74
Leasing of equipment	1.55	0.33
Sales of content	0.30	-
Consulting services	0.25	-
Restaurant sales and café lounge business	0.24	0.30
Photography	0.05	0.07
Others	0.30	-
Total	12.18	10.47

(*) 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 16% year-on-year (“YoY”) to US\$12.18 million in 6M 2018, mainly due to the followings:

- (i) an increase of US\$0.81 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\$4.79 million in 6M 2018, as opposed to the recognition of the share of profit for acting as the producer for *MASTER* of US\$3.77 million and return on investment as a passive investor for *MASTER* of US\$0.19 million in 6M 2017;
- (ii) an increase of US\$1.22 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\$0.30 million in sales of content, US\$0.20 million in consulting services and US\$0.23 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\$1.09 million due to lower revenue from the production of films was recorded in 6M 2018 as the percentage-of-completion of *SOVEREIGN DEFAULT* (based on costs incurred relative to total expected costs) in 6M 2018 was lower compared to that *GOLDEN SLUMBER* in 6M 2017.

Three months ended 30 June 2018 (“Q2 2018”) vs Three months ended 30 June 2017 (“Q2 2017”)

The breakdown of revenue in Q2 2018 and Q2 2017 is as follows:

Source of revenue	Group	
	Q2 2018 (Unaudited) US\$ million	Q2 2017 (Unaudited) US\$ million
Production of films	0.22	1.19
Distribution of films and others (*)	0.66	0.69
Leasing of equipment	0.53	0.33
Consulting services	0.01	-
Restaurant sales and café lounge business	0.15	0.19
Photography	0.03	0.04
Others	0.07	-
Total	1.67	2.44

(*) 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 decreased by 32% YoY to US\$1.67 million in Q2 2018, mainly due to the decrease in revenue from production of films. The decrease was mainly due to lower revenue from the production of films was recorded in Q2 2018 as the percentage-of-completion of *SOVEREIGN DEFAULT* (based on costs incurred relative to total expected costs) in Q2 2018 was lower as compared to that for *GOLDEN SLUMBER* in Q2 2017.

The decrease was partially offset by an increase of US\$0.20 million from leasing of equipment to third parties by Frame Pictures.

Cost of sales

6M 2018 vs 6M 2017

The breakdown of cost of sales in 6M 2018 and 6M 2017 is as follows:

	Group	
	6M 2018 (Unaudited) US\$ million	6M 2017 (Unaudited) US\$ million
Cost of sales		
Production of films	3.92	4.81
Distribution of films and others(*)	3.79	0.22
Leasing of equipment	0.11	-
Sales of content	0.20	-
Restaurant sales and café lounge business	0.09	0.08
Others	0.18	-
Total	8.29	5.11

(*) 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 62% YoY to US\$8.29 million in 6M 2018, mainly due to the followings:

- (i) an increase of US\$2.95 million from distribution of films and others mainly due to the copyright fee of *THE OUTLAWS* of US\$3.57 million in 6M 2018, as opposed to the distribution of several motion films by Novus of US\$0.22 million in 6M 2017;
- (ii) an increase of US\$0.11 million from leasing of equipment to third parties by Frame Pictures; and
- (iii) the acquisition of Constellation resulted in an increase of US\$0.20 million in sales of content and US\$0.15 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 of US\$0.89 million from production of films mainly due to lower production costs incurred in 6M 2018 for *SOVEREIGN DEFAULT* as compared to the production costs that were incurred in 6M 2017 for *GOLDEN SLUMBER*, based on the percentage-of-completion method.

Q2 2018 vs Q2 2017

The breakdown of cost of sales in Q2 2018 and Q2 2017 is as follows:

	Group	
	Q2 2018 (Unaudited) US\$ million	Q2 2017 (Unaudited) US\$ million
Cost of sales		
Production of films	0.24	1.13
Distribution of films and others(*)	0.37	0.04
Leasing of equipment	0.11	-
Sales of content	0.03	-
Restaurant sales and café lounge business	0.06	0.06
Others	0.03	-
Total	0.84	1.23

(*) 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 decreased by 32% YoY to US\$0.84 million in Q2 2018, mainly due to lower production costs incurred in 6M 2018 for *SOVEREIGN DEFAULT* of US\$0.19 million as compared to the production costs that were incurred in 6M 2017 for *GOLDEN SLUMBER* of US\$1.13 million, based on the percentage-of-completion method.

The decrease was partially offset by:

- (i) an increase of US\$0.33 million from distribution of films and others mainly due to the copyright fee of *THE OUTLAWS* of US\$0.23 million and distribution of several motion films by Novus of US\$0.14 million in 6M 2018, as opposed to the distribution of several motion films by Novus of US\$0.04 million in 6M 2017; and
- (ii) an increase of US\$0.11 million from leasing of equipment to third parties by Frame Pictures.

Gross profit

6M 2018 vs 6M 2017

The Group recorded a gross profit of US\$3.89 million in 6M 2018 as compared to a gross profit of US\$5.35 million in 6M 2017, mainly because there was an absence of share of profit for acting as the producer for *MASTER* of US\$3.77 million and return of investment as a passive investor for *MASTER* of US\$0.19 million in 6M 2017. This was partially offset by:

- (i) gross profit of US\$1.19 million from distributing *THE OUTLAWS* in 6M 2018;
- (ii) gross profit of US\$1.43 million in 6M 2018 as opposed to US\$0.33 million in 6M 2017 from leasing of equipment to third parties by Frame Pictures; and
- (iii) newly acquired wholly owned subsidiary, Constellation which contributed US\$0.38 million to the gross profit in 6M 2018.

Q2 2018 vs Q2 2017

The Group recorded a gross profit of US\$0.82 million in Q2 2018 as compared to a gross profit of US\$1.20 million in Q2 2017, mainly because there was an absence of share of profit for acting as the producer for MASTER of US\$0.32 million and return of investment as a passive investor for MASTER of US\$0.16 million in Q2 2017. This was partially offset by:

- (i) gross profit of US\$0.04 million from distributing *THE OUTLAWS* in Q2 2018;
- (ii) gross profit of US\$0.41 million in Q2 2018 as opposed to US\$0.33 million in Q2 2017 from leasing of equipment to third parties by Frame Pictures; and
- (iii) newly acquired wholly owned subsidiary, Constellation which contributed US\$0.03 million to the gross profit in Q2 2018.

Other income

6M 2018 vs 6M 2017

Other income decreased by US\$3.05 million or 93% YoY to US\$0.23 million in 6M 2018 mainly because there was an absence of non-recurring gain of US\$2.99 million in 6M 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.

Q2 2018 vs Q2 2017

Other income decreased by US\$0.05 million or 44% YoY to US\$0.07 million in Q2 2018, mainly due to a decrease in foreign currency transaction gain of US\$0.05 million.

General and administrative expenses

6M 2018 vs 6M 2017

General and administrative expenses increased by US\$1.13 million or 45% YoY to US\$3.64 million in 6M 2018 mainly due to the acquisition of Frame Pictures which resulted in an increase in depreciation and amortization of US\$0.25 million, service fee of US\$0.22 million, personal expenses of US\$0.08 million, rental expenses of US\$0.06 million and repair and maintenance of US\$0.03 million. The acquisition of Take Pictures on 27 October 2017 and Constellation resulted in an increase of US\$0.19 million in general and administrative expenses in 6M 2018 as opposed to 6M 2017.

Q2 2018 vs Q2 2017

General and administrative expenses increased by US\$0.20 million or 13% YoY to US\$1.70 million in Q2 2018 mainly due to the acquisition of Take Pictures and Constellation which resulted in an increase of US\$0.19 million in general and administrative expenses in Q2 2018 as opposed to Q2 2017.

Other expenses

6M 2018 vs 6M 2017

Other expenses decreased by US\$0.33 million or 52% YoY to US\$0.31 million in 6M 2018, mainly due to an absence of expenses incurred in relation to the reversal of loss on film borne by external investor of US\$0.33 million in relation to *LIFE RISKING ROMANCE* (co-presented by Novus) in 6M 2017.

Q2 2018 vs Q2 2017

Other expenses increased by US\$0.19 million from US\$0.11 million in Q2 2017 to US\$0.30 million in Q2 2018 mainly due to an increase in foreign currency transaction loss of US\$0.10 million.

Share of results of associate

6M 2018 vs 6M 2017

The share of results of associate of a loss of US\$0.34 million in 6M 2018 (6M 2017: a profit of US\$0.04 million) was mainly attributable to the loss of US\$0.34 million incurred by SMGL and Spackman Media Group Pte. Ltd. (“**SMGPL**”) mainly due to finance expenses.

Q2 2018 vs Q2 2017

The share of results of associate of a loss of US\$0.32 million in Q2 2018 (Q2 2017: a profit of US\$0.21 million) was attributable to the loss of US\$0.30 million incurred by SMGL and SMGPL, mainly due to same reason as explained above.

Tax credit/(expense)

6M 2018 vs 6M 2017

The Group recorded tax expense of US\$0.35 million in 6M 2018 (6M 2017: tax expense of US\$0.79 million) mainly due to taxable earnings generated by Novus in 6M 2018. Taxable earnings generated by Novus in 6M 2018 was mainly attributable to the Post-Theatrical sales for the post-theatrical market in Korea for *THE OUTLAWS*.

Q2 2018 vs Q2 2017

The Group recorded tax credit of US\$0.10 million in Q2 2018 as compared to tax expense of US\$0.01 million in Q2 2017, mainly due to recognition of deferred tax assets by Zip Cinema Co., Ltd. (“**Zip Cinema**”).

(Loss)/Profit before tax

6M 2018 vs 6M 2017

As a result of the above, the Group recorded a loss before tax of US\$0.57 million in 6M 2018 as compared to a profit before tax of US\$5.22 million in 6M 2017.

Q2 2018 vs Q2 2017

As a result of the above, the Group recorded a loss before tax of US\$1.62 million in Q2 2018 as compared to a loss before tax of US\$0.25 million in Q2 2017.

Consolidated Statement of Financial Position

The Group's non-current assets amounted to US\$45.76 million as at 30 June 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\$10.76 million mainly due to additional acquisition of 3,220,000 shares in SMGL at a consideration of US\$9.72 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\$0.46 million from SMGL;
- i) Increase in intangible assets of US\$8.99 million mainly attributable to goodwill of US\$9.09 million arising from the acquisition of Constellation; and
- ii) Increase in film production inventories of US\$0.77 million mainly related to several movies in the development stage.

Current assets

The Group's current assets amounted to US\$15.40 million as at 30 June 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\$2.34 million mainly attributable to decrease in investment in theatrical projects and investment in short term fund of US\$2.02 million and US\$0.33 million respectively;
- ii) Decrease in trade and other receivables of US\$2.15 million mainly due to collection of trade receivables related to the Post-Theatrical sales for *THE OUTLAWS* of US\$2.08 million and collection of camera lease receivables for several movies and TV drama of US\$0.41 million, and partially offset by the acquisition of Constellation which contributed US\$0.50 million to trade and other receivables;
- iii) Decrease in cash and cash equivalents of US\$2.95 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\$3.74 million as at 30 June 2018, an increase of US\$0.26 million as compared to US\$3.48 million as at 31 December 2017, mainly due to long-term borrowing of US\$0.34 million held by Upper West as at 30 June 2018 for its business expansion.

Current liabilities

The Group's current liabilities amounted to US\$6.78 million as at 30 June 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\$5.38 million mainly due to the partial settlement to costs payable to copyright supplier of *THE OUTLAWS* and *MAN OF WILL* of US\$2.08 million and US\$0.62 million respectively by Novus, partial settlement to costs payable related to *MASTER* of US\$0.47 million by Zip Cinema and a decrease in advance received of US\$1.77 million as the production of movies, namely *GOLDEN SLUMBER* and *SOVEREIGN DEFAULT* progress over time; and
- ii) Decrease in film obligation and production loans of US\$1.10 million due to the repayments to film investors of *GOLDEN SLUMBER* of US\$1.34 million.

Consolidated Statement of Cash Flow

As at 30 June 2018, the Group had cash and cash equivalents amounting to US\$3.28 million as compared to cash and cash equivalents amounting to US\$9.30 million as at 30 June 2017.

The significant cash movements during Q2 2018 as compared to Q2 2017 can be summarised as follows:

Cash flow used in operating activities for Q2 2018 amounted to US\$2.21 million as compared to cash generated from operating activities of US\$1.36 million for Q2 2017. The cash flow used in operating activities for Q2 2018 was mainly due to net working capital outflows of US\$1.17 million mainly resulting from a decrease in payables of US\$1.71 million, currency translation adjustments of US\$0.28 million and partially offset by a decrease in receivables of US\$0.97 million. In addition, income tax paid of US\$0.23 million and operating loss before working capital changes of US\$0.81 million partially offset the cash inflows from operating activities.

Cash flow generated from investing activities for Q2 2018 was US\$0.79 million as compared to cash flow used in investing activities of US\$2.53 million for Q2 2017. The cash flow generated from investing activities for Q2 2018 was mainly due to disposal of investments in project of US\$1.62 million, collection of short-term loans of US\$0.15 million, offset by short-term loans granted of US\$0.63 million and purchases of property, plant and equipment of US\$0.31 million.

Cash flow used in financing activities was US\$1.42 million for Q2 2018 as compared to cash flow generated from financing activities of US\$1.52 million for Q2 2017. The cash used in financing activities in Q2 2018 was mainly due to repayment of film obligations and productions loans of US\$1.34 million to film investors of *GOLDEN SLUMBER*.

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, 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 2018	6M 2017	6M 2018	6M 2017	6M 2018	6M 2017	6M 2018	6M 2017	6M 2018	6M 2017
In US\$' million										
Revenue	5.55	4.73	3.94	5.03	1.55	0.34	1.14	0.37	12.18	10.47
Cost of sales	(3.79)	(0.22)	(3.92)	(4.81)	(0.11)	-	(0.47)	(0.08)	(8.29)	(5.11)
Reversal of loss on film borne by external investor	-	(0.35)	-	-	-	-	-	-	-	(0.35)
Impairment loss on film production inventories	-	(0.05)	-	-	-	-	-	-	-	(0.05)
Gain on disposal of associated company	-	-	-	-	-	-	-	2.99	-	2.99
Segment gross results	1.76	4.11	0.02	0.22	1.44	0.34	0.67	3.28	3.89	7.95
Selling and general & administrative expenses	(1.54)	(1.11)	(1.09)	(1.18)	(0.43)	(0.08)	(0.32)	(0.09)	(3.38)	(2.46)
Segment net results	0.22	3.00	(1.07)	(0.96)	1.01	0.26	0.35	3.19	0.51	5.49
Unallocated other income:										
Other income									0.22	0.28
Unallocated expenses:										
Share of results of associate									(0.34)	0.04
Depreciation and amortization									(0.58)	(0.31)
Other expenses									(0.30)	(0.24)
Finance costs									(0.08)	(0.04)
(Loss)/Profit before tax									(0.57)	5.22
Tax expense									(0.35)	(0.79)
(Loss)/Profit for the period									(0.92)	4.43
Segment assets	8.09	2.44	5.75	2.58	2.26	0.17	1.66	0.19	17.76	5.38
Unallocated assets									43.39	33.68
Total assets									61.15	39.06
Segment liabilities	1.24	2.49	0.88	2.64	0.35	0.18	0.25	0.19	2.72	5.50
Unallocated liabilities									7.80	8.25
Total liabilities									10.52	13.75

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.**

Major Projects Are Upcoming in Second Half

As we are a content production and investment company that incur revenue on a project by project basis, our income stream is normally not evenly distributed throughout the course of a fiscal year. Depending on the timing of our major content projects, our revenues generally tend to be concentrated in certain periods of a given fiscal year. In the case of the current fiscal year, our major projects are largely concentrated in the second half of the year.

Film Production

The Group's indirect wholly-owned subsidiary, Zip Cinema Co., Ltd. ("**Zip Cinema**"), will be producing a Korean financial crisis movie, *SOVEREIGN DEFAULT*, starring top Korean actors Yoo Ah-in, who is managed by the Group's associated company, Spackman Media Group Limited ("**SMGL**") and Kim Hye-soo. The film, which is distributed by CJ Entertainment, is expected to open in Korean theatres in the second half of 2018. The estimated total production budget (including prints and advertising costs) for *SOVEREIGN DEFAULT* is tentatively set at approximately KRW 9.7 billion (or US\$8.6 million).

Studio Take's upcoming human drama movie, *DAMAGED*, commenced filming and is slated to be released by the second half of 2018, subject to changes in final filming schedule.

The Makers Studio Co. Ltd., which the Group has invested in, plans to produce and release four films from 2018 to 2020, 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 has announced its foray into the Korean drama series production starting with the co-production of *TERIUS BEHIND ME*, featuring top tier Korean actor So Ji Sub of the Group's associated company, Spackman Media Group Limited ("**SMGL**"). The TV romantic comedy drama is expected to be released in September 2018. 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.

Post-theatrical & Camera Equipment Leasing

On 7 May 2018, the Group announced that it has engaged RHT Capital Pte. Ltd. as the financial adviser, issue manager and full sponsor for the Proposed Spin-off and Proposed listing of Novus Mediacorp Co., Ltd. ("**Novus**") and Frame Pictures Co., Ltd. ("**Frame Pictures**"). The Group believes that the separate listing of Novus and Frame Pictures shall enable the combined standalone entity to independently raise the capital necessary to unlock the full potential of its operations and projects, and to exploit the rapidly growing post-theatrical and camera equipment leasing markets. The Group will make the necessary announcements in relation to the Proposed Spin-off and Proposed Listing of Novus and Frame Pictures. Accordingly, there is no assurance that the Proposed Spin-off and Proposed Listing will materialise.

During May and June 2018, the Group announced that its wholly-owned subsidiary, Frame Pictures, won contracts to supply camera systems and equipment for upcoming major Korean drama series namely, *THE GUESTS*, *MALMOI*, *LOVELY HORRIBLY* with a total contract value of KRW648.5 million (approximately US\$0.6 million).

On 3 July 2018, the Group announced that its 51%-owned subsidiary, Novus owned the post-theatrical rights to upcoming comedy film, *ROSE OF BETRAYAL*, expected to be released in Korea in August 2018.

Ahead of the planned listing of Frame Pictures and Novus as a combined standalone entity, the Group believes that they shall continue to add high-quality camera equipment leasing projects and acquire the rights to top-tier films.

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 41.28% associated company, SMGL. On 6 August 2018, the Group has entered into share swap agreements with existing shareholders of SMGL (the "SPAs"). Consequent to the completion of the SPAs, the Group's shareholding in SMGL will increase from 41.28% to 43.88%.

By leveraging on SMGL's unparalleled portfolio of artists, the Group shall be able to participate successfully into 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 into the highest quality content projects that were previously impossible to gain access.

12. Dividend

(a) Current Financial Period Reported On: Any dividend declared for the current financial period reported on?

No

(b) Corresponding Period of the Immediately Preceding Financial Year: Any dividend declared for the corresponding period of the immediately preceding financial year?

No

(c) Date payable:

Not applicable.

(d) Books closure date:

Not applicable.

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

No dividend has been declared or recommended for Q2 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 Q2 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	Amount allocated after the Reallocation⁽³⁾	Amount utilized	Balance
	(S\$'000)	(S\$'000)	(S\$'000)	(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	(2,273)	508
Total	5,937	5,937	(4,928)	1,009

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\$621,472);
- Personnel expenses (S\$710,724);
- Rental expenses (S\$636,079); and
- Others (S\$304,465).

(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 6 months financial periods ended 30 June 2018 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Richard Lee

Interim CEO and Executive Director

Date: 14 August 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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