

spackmanentertainmentgroup

(Company Registration No.:201401201N)

Unaudited Financial Statement and Dividend Announcement For the Financial Year Ended 31 December 2018

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF 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		Change %
	Twelve Months Ended		
	31 December 2018 (Unaudited) US\$'000	31 December 2017 (Audited) US\$'000	
Revenue	21,845	20,552	6
Cost of sales	(13,904)	(12,277)	13
Gross profit	7,941	8,275	(4)
Other income	477	3,131	(85)
Interest income	92	153	(40)
Selling expenses	(686)	(545)	26
General and administrative expenses	(8,026)	(6,038)	33
Finance costs	(259)	(101)	NM
Other expenses	(756)	(1,192)	(37)
Share of results of an associate	(206)	27	NM
(Loss)/Profit before tax	(1,423)	3,710	NM
Tax expense	(324)	(698)	(54)
(Loss)/Profit for the year	(1,747)	3,012	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	(196)	233	NM
Currency translation difference arising from consolidation	(514)	942	NM
Total comprehensive (loss)/income for the year	(2,457)	4,187	NM
(Loss)/Profit for the year attributable to:			
Equity holders of the company	(2,160)	2,976	NM
Non-controlling interests	413	36	NM
	(1,747)	3,012	NM
Total comprehensive (Loss)/Profit for the year attributable to:			
Equity holders of the Company	(2,829)	4,061	NM
Non-controlling interests	372	126	NM
	(2,457)	4,187	NM

NM – Not meaningful

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

Profit/(Loss) from for the year was stated after charging/(crediting) the followings:

	Twelve Months Ended		Change %
	31 December 2018	31 December 2017	
	(Unaudited) US\$'000	(Audited) US\$'000	
Personnel expenses	2,898	2,366	22
Rent expense	1,234	1,104	12
Travel expense	247	184	34
Entertainment expense	345	316	9
Service expenses	1,861	1,069	74
Audit fee	152	157	(3)
Non-audit fee	-	24	NM
Impairment loss on investments	72	262	(73)
Impairment loss on intangible assets	-	243	NM
Impairment loss on film production inventories	31	18	72
Depreciation and amortization	2,697	809	NM
Allowance for doubtful receivables	5	259	(98)
Reversal of loss on film borne by external investors	7	371	(98)
Interest expense	259	100	NM
Interest income	(92)	(153)	(40)
Foreign exchange loss/(gain), net	45	(14)	NM

NM – Not meaningful

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

	Group			Company		
	31 December 2018 (Unaudited) US\$'000	31 December 2017 (Restated*) US\$'000	1 January 2017 (Restated*) US\$'000	31 December 2018 (Unaudited) US\$'000	31 December 2017 (Audited) US\$'000	1 January 2017 (Restated*) US\$'000
Assets						
Investment in subsidiaries	-	-	-	38,962	23,008	16,245
Investment in associated company	21,690	9,303	3,433	20,244	8,955	3,298
Property, plant and equipment	7,227	7,125	3,080	44	11	12
Intangible assets	19,134	5,780	937	-	-	-
Film production inventories	1,190	748	355	-	-	-
Deferred tax assets	329	131	123	-	-	-
Long-term trade and other receivables	784	838	-	67	-	-
Long-term investment	-	786	-	-	460	-
Fair value through profit and loss long-term financial asset	1,273	-	-	460	-	-
Non-current assets	51,627	24,711	7,928	59,777	32,434	19,555
Film production inventories	1,402	820	69	-	-	-
Inventories	9	7	5	-	-	-
Investments	-	5,879	4,457	-	-	-
Fair value through profit and loss financial asset	4,453	-	-	-	-	-
Loan to subsidiaries	-	-	-	1,409	1,179	429
Trade and other receivables	7,609	8,734	3,615	659	545	399
Cash and cash equivalents	2,744	6,237	5,936	285	764	470
Current assets	16,217	21,677	14,082	2,353	2,488	1,298
Total assets	67,844	46,388	22,010	62,130	34,922	20,853
Liabilities						
Trade and other payables	1,301	-	-	-	-	-
Borrowings	3,321	2,940	1,903	-	-	-
Other non-current liabilities	84	73	136	-	-	-
Deferred tax liabilities	1,324	466	35	-	-	-
Non-current liabilities	6,030	3,479	2,074	-	-	-
Trade and other payables	3,690	8,382	3,013	337	490	181
Film obligation and production loans	441	2,579	912	-	-	-
Borrowings	1,802	1,252	-	1,413	-	-
Deferred revenue	1,163	681	2,649	-	-	-
Tax payables	293	306	153	-	-	-
Current liabilities	7,389	13,200	6,727	1,750	490	181
Total liabilities	13,419	16,679	8,801	1,750	490	181
Net assets	54,425	29,709	13,209	60,380	34,432	20,672
Share capital and reserves						
Share capital	64,705	37,461	25,019	64,705	37,461	25,019
Treasury shares	(205)	(134)	-	(205)	(134)	-
Other reserves	(2,304)	(1,634)	(2,724)	-	-	-
Accumulated losses	(8,918)	(6,758)	(9,734)	(4,120)	(2,895)	(4,347)
Equity attributable to equity holders of the Company, total	53,278	28,935	12,561	60,380	34,432	20,672
Non-controlling interests	1,147	774	648	-	-	-
Total equity	54,425	29,709	13,209	60,380	34,432	20,672

* 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 31 December 2018 (Unaudited)		As at 31 December 2017 (Audited)	
Secured US\$’000	Unsecured US\$’000	Secured US\$’000	Unsecured US\$’000
1,277	525	1,252	-

Amount repayable after one year

As at 31 December 2018 (Unaudited)		As at 31 December 2017 (Audited)	
Secured US\$’000	Unsecured US\$’000	Secured US\$’000	Unsecured US\$’000
2,334	987	2,940	-

Details of any collateral

The Group’s short term borrowing of US\$89,437 is secured over a credit guarantee by Korea Credit Guarantee Fund (“KCGF”), short-term borrowings of US\$411,412 is secured over a mortgage of the land and a building with carrying amounts of US\$2,963,505 (31 December 2017: US\$3,165,233), short term borrowings of US\$513,276 are finance lease liabilities, of which the carrying value of equipment under finance lease agreements are US\$788,796 (31 December 2017: US\$1,036,107) and the remaining short-term borrowings of US\$262,946 is secured over a personal guarantee by a subsidiary’s chief executive officer.

The Group’s long-term borrowing of US\$1,439,943 is secured over a mortgage of the land and a building with carrying amounts of US\$2,963,505 (31 December 2017: US\$3,165,233), long-term borrowing of US\$764,162 are finance lease liabilities, of which the carrying value of equipment under finance lease agreements are US\$788,796 (31 December 2017: US\$1,036,107) and the remaining long-term borrowings of US\$129,587 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	
	12 Months Ended	
	31 December 2018 (Unaudited) US\$'000	31 December 2017 (Audited) US\$'000
Operating activities		
(Loss)/Profit before income tax	(1,423)	3,710
Adjustments for:		
Depreciation and amortization	2,697	809
Interest income	(92)	(153)
Interest expense	259	100
Impairment loss on film production inventories	31	18
Share of results of associated company	206	(27)
Gain on disposal of associate	-	(2,697)
Allowance for doubtful debts	5	259
Fair value loss on investment in mutual funds	216	(16)
Impairment loss on investments	72	262
Impairment loss on intangible assets	-	243
Gain on disposal of short-term investment	(21)	-
Loss on disposal of investments	74	15
Reversal of loss on film borne by external investors	7	371
Loss on disposal of property, plant and equipment	228	-
Dividend income	(11)	-
Operating profit before working capital changes	2,248	2,895
Working capital changes		
Investment in theatrical film projects, net	-	751
Inventories	(2)	(2)
Film production inventories	(1,056)	(864)
Receivables	1,034	(4,017)
Payables	(2,639)	(340)
Currency translation adjustments	139	(970)
Cash used in operations	(276)	(2,547)
Interest received	92	144
Income tax paid	(535)	(432)
Net cash used in operating activities	(719)	(2,835)
Investing activities		
Short term loans granted	684	1,603
Collection of short term loans	(798)	(2,792)
Purchases of property, plant and equipment	(2,816)	(756)
Proceeds from disposal of property, plant and equipment	33	-
Purchases of intangible assets	(43)	(103)
Acquisition of subsidiaries, net cash acquired	525	536
Purchases of short term investments	(2,502)	(4,073)
Proceeds from disposal of short term investments	3,101	1,081
Dividend received	11	-

	Group	
	12 Months Ended	
	31 December 2018	31 December 2017
	(Unaudited) US\$'000	(Audited) US\$'000
Net cash used in investing activities	(1,805)	(4,504)
Financing activities		
Repayment of borrowings	(1,391)	(512)
Proceeds from borrowings	2,148	543
Advances received from staff	-	1,218
Proceeds from film obligations and production loans	6,481	2,299
Repayment of film obligations and production loans	(7,549)	(451)
Issuance of shares	-	4,396
Share issue expense	-	(151)
Treasury shares	(71)	(134)
Interest paid	(259)	(101)
Net cash (used in)/generating from financing activities	(641)	7,107
Net change in cash and cash equivalents	(3,165)	(232)
Cash and cash equivalents at beginning of financial year	6,237	5,937
Effect of exchange rate changes	(328)	532
Cash and cash equivalents at end of the financial year	2,744	6,237

With reference to the letter (Ref: ACRA/FRSD/IP/2015/FRSD0078/D/5) issued by ACRA dated 8 August 2018 in relation with the non-compliance in the FY2014 cash flow preparation in the consolidated cash flow statement for FY2015 (advance payment in connection with the acquisition of Breakfastfilm), the Company comply with the requirement imposed by ACRA to disclose the following items in relation to the Consolidated Statement of Cash Flows for FY2014 in FY2018 financial statements:

(a) nature of the prior period error

In 2014, the Group subscribed for 46.4% equity interest in Breakfastfilm for a cash consideration of KRW1.3 billion or US\$1,233,731; and such advance payment was presented under operating cash flow. Under paragraph 16 (c) of SFRS 7, the advance payment, in substance, for the acquisition of 46.4% equity interest in Breakfastfilm, is meeting the definition of "Investing activities". Accordingly, the cash paid should be presented as an investing cash flow, rather than an operating cash flow.

(b) the amount(s) of correction for each line item affected

Had the cash paid of US\$1,233,731 million been presented as an investing cash flow, rather than an operating cash flow, the FY2014 cash flow would be impacted as follows:

All in US\$'000	Restated FY2014	Rectification on non-compliances	Post-rectification FY2014	% change
Net cash used in operating activities	(10,241)	1,234	(9,007)	12%
Net cash used in investing activities	(674)	(1,234)	(1,908)	>100%

(c) the fact and the reason(s) why the error would not have affected the Consolidated Statement of Cash Flows for each of the financial years from 2015 – 2018

The advance payment of US\$1,233,731 made in FY2014 was correctly accounted for as part of cost of investment for acquisition of an associated company under investing activities in FY2015's consolidated statement of cash flows. This has no impact from FY2016 onwards for the consolidated statement of cash flows.

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	
	Share capital	Treasury shares	Other reserve	Accumulated losses	Total	interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 January 2018 as previously stated	37,461	(134)	(2,296)	(6,096)	28,935	774	29,709
Impact on adoption of SFRS(I)1	-	-	662	(662)	-	-	-
Balance as at 1 January 2018 as restated	37,461	(134)	(1,634)	(6,758)	28,935	774	29,709
Loss for the year	-	-	-	(2,160)	(2,160)	413	(1,747)
<i>Other comprehensive profit for the period</i>							
Share of other comprehensive loss of associated company	-	-	(196)	-	(196)	-	(196)
Currency translation difference on consolidation	-	-	(474)	-	(474)	(40)	(514)
	-	-	(670)	(2,160)	(2,830)	373	(2,457)
Share issued for additional acquisition of associated company	27,244	-	-	-	27,244	-	27,244
Purchase of treasury shares	-	(71)	-	-	(71)	-	(71)
Balance as at 31 December 2018	64,705	(205)	(2,304)	(8,918)	53,278	1,147	54,425
Group (Restated*)							
Balance as at 1 January 2017 as previously stated	25,019	-	(3,386)	(9,072)	12,561	648	13,209
Impact on adoption of SFRS(I)1	-	-	662	(662)	-	-	-
Balance as at 1 January 2017 as restated	25,019	-	(2,724)	(9,734)	12,561	648	13,209
Profit for the year	-	-	-	2,976	2,976	36	3,012
<i>Other comprehensive income for the period</i>							
Share of other comprehensive income of associated company	-	-	233	-	233	-	233
Currency translation difference on consolidation	-	-	852	-	852	90	942
	-	-	1,085	2,976	4,061	126	4,187
Issuance of ordinary shares	12,593	-	-	-	12,593	-	12,593
Share issue expense	(151)	-	-	-	(151)	-	(151)
Purchase of treasury shares	-	(134)	-	-	(134)	-	(134)
Others	-	-	5	-	5	-	5
Balance as at 31 December 2017	37,461	(134)	(1,634)	(6,758)	28,935	774	29,709

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 January 2018	37,461	(134)	(2,895)	34,432
Issuance of ordinary shares	27,244	-	-	27,244
Purchase of treasury shares	-	(71)	-	(71)
Loss for the year	-	-	(1,225)	(1,225)
Balance as at 31 December 2018	64,705	(205)	(4,120)	60,380

Company (Audited)	Share capital	Treasury shares	Accumulated losses	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 January 2017	25,019	-	(4,347)	20,672
Issuance of ordinary shares	12,442	-	-	12,442
Purchase of treasury shares	-	(134)	-	(134)
Profit for the year	-	-	1,452	1,452
Balance as at 31 December 2017	37,461	(134)	(2,895)	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(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 October 2018	890,614,708	(3,449,100)	US\$61,076,243	(US\$204,909)
Issuance of consideration shares for acquisition of a subsidiary ⁽¹⁾	150,000,000	-	US\$3,628,434	-
Balance as at 31 December 2018	1,040,614,708	(3,449,100)	US\$64,704,677	(US\$204,909)

Notes:

(1) The Company had on 8 November 2018 issued and allotted 150,000,000 new ordinary shares of the Company in relation to the acquisition of 100% equity interest in Greenlight Content Limited (“**Greenlight**”).

The Company did not have any outstanding options or convertibles as at 31 December 2018 and 31 December 2017 respectively.

There were 3,449,100 treasury shares representing 0.33% of the total number of outstanding shares in issue (excluding treasury shares) as at 31 December 2018. There were 1,699,100 treasury shares as at 31 December 2017.

There were also no subsidiary holdings as at 31 December 2018 and 31 December 2017 respectively.

(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year

	As at 31 December 2018	As at 31 December 2017
Total number of issued shares excluding treasury shares	1,037,165,608	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	
	12 months ended	
	31 December 2018	31 December 2017
(Loss)/Earnings per share (“(LPS)/EPS”)		
(Loss)/Profit attributable to shareholders of the Company (US\$)	(2,160,233)	2,976,022
Weighted average number of ordinary shares in issue	790,637,355	458,267,290
Basic and fully diluted basic (LPS)/EPS (US cents) ^{(1) (2)}	(0.27)	0.65
Adjusted (LPS)/EPS (US cents) ⁽³⁾	(0.21)	0.58

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 FY2018 was calculated based on 1,037,165,608 ordinary shares in issue (excluding treasury shares) as at 31 December 2018.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the
(a) Current financial period reported on; and
(b) Immediately preceding financial year

	Group		Company	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Net asset value (US\$)	54,424,721	29,709,053	60,380,219	34,431,597
Number of ordinary shares in issue (excluding treasury shares)	1,037,165,608	515,470,416	1,037,165,608	515,470,416
Net asset value per ordinary share (US\$)	0.052	0.058	0.058	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

FY2018 vs FY2017

The breakdown of revenue in FY2018 and FY2017 is as follows:

Source of revenue	Group	
	FY2018 (Unaudited) US\$ million	FY2017 (Audited) US\$ million
Production of films	8.79	12.86
Distribution of films and others (*)	6.58	4.55
Leasing of equipment	4.14	2.25
Sales of content	0.29	-
Consulting services	0.64	-
Restaurant sales and café lounge business	0.44	0.56
Photography	0.11	0.16
Others	0.86	0.17
Total	21.85	20.55

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

Revenue increased by 6% year-on-year (“YoY”) to US\$21.85 million in FY2018, mainly due to the following:

- (i) an increase of US\$2.03 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\$5.76 million and other motion films of US\$0.60 million, as opposed to the post theatrical sales for *THE OUTLAWS* of US\$2.60 million and other motion films of US\$1.68 million recognized in FY2017;
- (ii) an increase of US\$1.89 million from leasing of equipment to third parties by Frame Pictures Co., Ltd. (“**Frame Pictures**”) which was acquired on 31 March 2017;
- (iii) the acquisition of Constellation Agency Pte. Ltd. (“**Constellation**”) on 25 January 2018 resulted in an increase of US\$0.29 million in sales of content, US\$0.20 million in consulting services, and US\$0.70 million in others. Others mainly comprised of revenue from the production of commercial films and talent management; and
- (iv) the acquisition of Greenlight on 8 November 2018 resulted in an increase of US\$0.39 million in consulting services.

The increase was partially offset by a decrease in production of films of US\$4.07 million mainly due to lower revenue from the production of films was recorded in FY2018 as the percentage-of-completion of *CRAZY ROMANCE* (based on costs incurred relative to total expected costs) in FY2018 was lower compared to that *GOLDEN SLUMBER* in FY2017.

Cost of sales

The breakdown of cost of sales in FY2018 and FY2017 is as follows:

	Group	
	FY2018 (Unaudited) US\$ million	FY2017 (Audited) US\$ million
Cost of sales		
Production of films	7.75	9.01
Distribution of films and others (*)	4.54	2.94
Leasing of equipment	0.91	0.03
Sales of content	0.19	-
Restaurant sales and café lounge business	0.17	0.18
Others	0.34	0.12
Total	13.90	12.28

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

Cost of sales increased by 13% YoY to US\$13.90 million in FY2018, mainly attributable to the following:

- (i) an increase of US\$1.60 million from distribution of films and others mainly due to higher copyright fee of *THE OUTLAWS* by US\$2.55 million recognized in FY2018, partially offset by a decrease of US\$0.96 million due to fewer motion films distributed by the Group in FY2018;
- (ii) the acquisition of Constellation resulted in an increase of US\$0.19 million in sales of content and US\$0.27 million in others. Others mainly comprised of costs incurred from the production of commercial films and talent management; and
- (iii) an increase of US\$0.88 million from leasing of equipment to third parties by Frame Pictures.

The increase was partially offset by a decrease of US\$1.26 million from production of films mainly due to lower production costs incurred in FY2018 for *CRAZY ROMANCE* as compared to the production costs that were incurred in FY2017 for *GOLDEN SLUMBER*, based on the percentage-of-completion method.

Gross profit

The Group recorded a gross profit of US\$7.94 million in FY2018 as compared to a gross profit of US\$8.28 in FY2017. The gross profit margin decreased from 40% in FY2017 to 36% in FY2018 was mainly due to gross profit of US\$3.23 million from leasing of equipment to third parties by Frame Pictures, gross profit of US\$1.74 million from distributing *THE OUTLAWS*, gross profit from newly acquired wholly owned subsidiary, Constellation and Greenlight which contributed US\$0.72 million and S\$0.39 million respectively and the recognition of share of profit for acting as the producer for *DEFAULT* of US\$0.60 million and return of investment as a passive investor for *DEFAULT* of US\$0.21 million in FY2018.

Other income

Other income decreased by 83% YoY to US\$0.57 million in FY2018, mainly because there was an absence of non-recurring gain of US\$2.70 million in FY2017 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.

General and administrative expenses

General and administrative expenses increased by US\$1.99 million or 33% YoY to US\$8.03 million in FY2018. The increase was mainly due to the acquisition of Take Pictures Pte. Ltd ("**Take Pictures**"), Frame Pictures and Constellation of US\$0.70 million, an increase in allowance for doubtful debts of US\$0.50 million and an increase in amortization of intangible assets from the acquisition of Take Pictures and Constellation of US\$0.38 million. The acquisition of Take Pictures, Frame Pictures and Constellation resulted in an increase in personnel expenses due to increase in number of employees, service fee and rental expenses. The increase in allowance for doubtful debts of US\$0.50 million was due to provision for bad debt allowance on receivables from a 3rd party production company.

Share of results of associate

The share of results of associate of a loss of US\$0.21 million in FY2018 (FY2017: a profit of US\$0.03 million) was attributable to the loss from the Company's 43.88% owned associated company, Spackman Media Group Limited ("**SMGL**"). The loss was mainly attributable to the profit from talent management business of US\$0.14 million and offset by a loss of US\$0.33 million incurred by SMGL at the company level due to general and administrative expenses.

Tax expense

The Group recorded tax expense of US\$0.32 million in FY2018 (FY2017: tax expense of US\$0.70 million) mainly due to taxable earnings generated by Novus and Frame Pictures in FY2018. Taxable earnings generated by Novus and Frame Pictures in FY2018 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.

(Loss)/Profit before tax

As a result of the above, the Group recorded a loss before tax of US\$1.42 million in FY2018 as compared to a profit before tax of US\$3.71 million in FY2017.

Consolidated Statement of Financial Position

Non-current assets

The Group's non-current assets amounted to US\$51.63 million as at 31 December 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\$12.39 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\$0.37 million from SMGL and share of losses of US\$0.03 million from The Makers Studio Co, Ltd. ("**The Makers Studio**");
- ii) Increase in intangible assets of US\$13.35 million is mainly attributable to goodwill and intangible assets arising from the acquisition of Constellation US\$10.45 million, and goodwill arising from the acquisition of Greenlight of US\$3.03 million respectively; and
- iii) Increase in film production inventories of US\$0.44 million mainly related to several movies in the development stage.

Current assets

The Group's current assets amounted to US\$16.22 million as at 31 December 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\$1.43 million (investments as at 31 December 2018 is classified as fair value through profit and loss financial asset) mainly attributable to decrease in investment in theatrical projects of US\$2.52 million and decrease in investment in short term fund of US\$0.63 million; and partially offset by the acquisition of Greenlight which contributed US\$1.75 million to investment in television drama projects;
- ii) Decrease in trade and other receivables of US\$1.13 million mainly due to collection of trade receivables related to the Post-Theatrical sales for *THE OUTLAWS* of US\$2.10 million, and partially offset by the acquisition of Constellation which contributed US\$0.47 million to trade and other receivables; and
- iii) Decrease in cash and cash equivalents of US\$3.49 million, mainly due to the reasons as explained under the discussion for the "Consolidated Statement of Cash Flow" below.

Non-current liabilities

The Group's non-current liabilities amounted to US\$6.03 million as at 31 December 2018, an increase of US\$2.55 million as compared to US\$3.48 million as at 31 December 2017, mainly due to long-term advances which has been received by Zip Cinema Co., Ltd. ("**Zip Cinema**") for presale of upcoming films in post-theatrical market of US\$1.30 million, deferred tax liabilities from intangible assets arising from the acquisition of Constellation of US\$0.82 million, and long-term borrowing of US\$0.48 million held by Upper West as at 31 December 2018 for its business expansion.

Current liabilities

The Group's current liabilities amounted to US\$7.39 million as at 31 December 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\$4.69 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\$0.72 million respectively by Novus; revenue recognition of advance receives for *DEFAULT* of US\$1.00 million and partial settlement of loan by Frame Pictures of US\$0.42 million;
- ii) Decrease in film obligation and production loans of US\$2.14 million mainly due to the repayments to film investors of *GOLDEN SLUMBER* of US\$1.90 million; and
- iii) Partially offset by an increase in borrowings of US\$0.55 million mainly due to the acquisition of Greenlight and Constellation of US\$0.40 million and US\$0.04 million respectively.

Consolidated Statement of Cash Flow

As at 31 December 2018, the Group had cash and cash equivalents amounting to US\$2.74 million as compared to cash and cash equivalents amounting to US\$6.24 million as at 31 December 2017.

The significant cash movements during FY2018 as compared to FY2017 can be summarized as follows:

Cash flow used in operating activities for FY2018 amounted to US\$0.72 million as compared to cash used in operating activities of US\$2.84 million for FY2017. The cash flow used in operating activities for FY2018 was mainly due to net working capital outflows of US\$2.52 million mainly resulting from a decrease in payables of US\$2.64 million; increase in film production inventories of US\$1.06 million; and partially offset by operating profit before working capital changes of US\$2.25 million, a decrease in receivables of US\$1.03 and currency translation adjustments of US\$0.14 million.

Cash flow used in investing activities for FY2018 was US\$1.81 million as compared to cash flow used in investing activities of US\$4.50 million for FY2017. The cash flow used in investing activities for FY2018 was mainly due to purchases of property, plant and equipment of US\$2.82 million, purchase of short-term investments of US\$2.50 million; collection of short term loans of US\$0.80 million, and partially offset by the proceeds from disposal of short-term investments of US\$3.10 million, short term loans granted of US\$0.68 million and net cash acquired from the acquisition of subsidiaries of US\$0.53 million.

Cash flow used in financing activities was US\$0.64 million for FY2018 as compared to cash flow generated from financing activities of US\$7.11 million for FY2017. The cash used in financing activities in FY2018 was mainly due to repayment of film obligations and production loans of US\$7.55 million from film investors of *GOLDEN SLUMBER* of US\$3.43 million and *DEFAULT* of US\$4.12 million, repayment of borrowings of US\$1.39 million, offset by proceeds from film obligations and production loans of US\$6.48 million which was primarily for the production of *GOLDEN SLUMBER* of US\$2.36 million and *DEFAULT* of US\$4.12 million and proceeds from borrowings of US\$2.15 million mainly for the down payment for leasing of equipment.

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:

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

In US\$' million	Distribution of films		Production of films		Leasing of equipment		Others		Total	
	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017
Revenue	6.58	4.55	8.79	12.86	4.14	2.25	2.34	0.89	21.85	20.55
Cost of sales	(4.54)	(2.95)	(7.75)	(9.01)	(0.91)	(0.03)	(0.70)	(0.29)	(13.90)	(12.28)
Reversal of loss on film borne by external investor	(0.01)	(0.37)	-	-	-	-	-	-	(0.01)	(0.37)
Impairment loss on film production inventories	(0.03)	(0.02)	-	-	-	-	-	-	(0.03)	(0.02)
Loss on disposal of PPE	-	-	-	-	(0.23)	-	-	-	(0.23)	-
Share of results of associate	-	-	-	-	-	-	(0.21)	0.03	(0.21)	0.03
Gain on disposal of associated company	-	-	-	-	-	-	-	2.70	-	2.70
Segment gross results	2.00	1.21	1.04	3.85	3.00	2.22	1.43	3.33	7.47	10.61
Selling and general & administrative expenses	(2.41)	(1.29)	(3.21)	(3.66)	(1.52)	(0.64)	(0.85)	(0.25)	(7.99)	(5.84)
Segment net results	(0.41)	(0.08)	(2.17)	0.19	1.48	1.58	0.58	3.08	(0.52)	4.77
Unallocated other income:										
Other income									0.57	0.59
Unallocated expenses:										
Depreciation and amortization									(0.72)	(0.74)
Other expenses									(0.49)	(0.80)
Finance costs									(0.26)	(0.10)
(Loss)/profit before tax									(1.42)	3.71
Tax expense									(0.32)	(0.70)
(Loss)/profit for the period									(1.74)	3.01
Segment assets	6.79	3.01	9.06	8.50	4.27	1.49	2.41	0.59	22.53	13.59
Unallocated assets									45.31	32.80
Total assets									67.84	46.39
Segment liabilities	0.78	1.62	1.04	4.59	0.49	0.80	1.56	0.32	3.87	7.33
Unallocated liabilities									9.55	9.35
Total liabilities									13.42	16.68

11. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

Segment Revenue

The Group's revenue for FY2018 was mainly derived from the distribution of films, which made up 30% of the Group's revenue (FY2017: 22%) and revenue from production of films and others, which made up 40% of the Group's revenue (FY2017: 63%), which, on aggregate, made up 70% (FY2017: 85%) of the Group's revenue for FY2018.

The increase in revenue from the distribution of films from US\$4.55 million in FY2017 to US\$6.58 million in FY2018 was mainly attributable to the Video On Demand sales for *THE OUTLAWS*.

The decrease in revenue from the production of films from US\$12.86 million in FY2017 to US\$8.79 million in FY2018 was primarily attributable to the percentage-of-completion for *CRAZY ROMANCE* in FY2018 was lower as compared to that for *GOLDEN SLUMBER* in FY2017.

The increase in leasing of equipment of US\$1.89 million in FY2018 was contributed by Frame Pictures, which was acquired on 31 March 2017.

For further details, please refer to note 8 above.

12. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Film Production

The Group's upcoming romantic comedy film, *CRAZY ROMANCE*, produced by the Group's indirect wholly-owned subsidiary, Zip Cinema, commenced filming on 7 January 2018 and is expected to premiere in Korea in 2019. The estimated total production budget (including prints and advertising costs) for *CRAZY ROMANCE* is tentatively set at approximately KRW6.7 billion (or US\$6.0 million). The film is presented and distributed by Next Entertainment World Co., Ltd.

The Group owns a 100% equity interest in 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 2019. 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.

Post-theatrical & Camera Equipment Leasing

In December 2018, the Group's wholly-owned subsidiary, Frame Pictures secured three major camera equipment deals for upcoming drama series, *FOUR MEN*, *ASADAL CHRONICLES* and *THE CROWNED CLOWN*. The Group believes that Frame Pictures shall continue to win bids for top quality projects to tap on the growing camera equipment leasing markets ahead of its planned listing as a combined standalone entity with its majority-owned post-theatrical business, Novus Mediacorp Co., Ltd.

Spackman Media Group Limited

During the year, the Group has been taking opportunities to increase its shareholding in its 43.88% associated company, SMGL.

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

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

13. 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.

14. If no dividend has been declared/recommended, a statement to that effect and reason(s) for the decision.

No dividend has been declared or recommended for FY2018. The available fund will be retained for working capital use.

15. If the group has obtained a general mandate from shareholders for interested person transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders for interested person transactions.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and conducted under shareholders' mandate pursuant to Rule 920) (S\$'000)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) (S\$'000)
Eugene Lee (Executive Director and Chief Producer of the Company)	751 ⁽¹⁾	Not applicable
Spackman Equities Group Inc.	111 ⁽²⁾	Not applicable

Note:

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

(2) Spackman Equities Group Inc. is a controlling shareholder of the Company with an approximate shareholding interest of 14.39% in the Company. This relates to the monthly rental payable under the lease agreement dated 28 December 2015 between

the Company's wholly-owned subsidiary, Spackman Entertainment (HK) Limited (the "Lessor") and Spackman Equities Group Inc. (the "Lessee") for usage of office starting from 16 January 2016. The lease agreement was terminated on 31 October 2018.

16. A breakdown of sales as follows:

	Group		
	FY2018 (Unaudited) US\$'000	FY2017 (Audited) US\$'000	Increase / (Decrease) %
(a) Sales reported for first half year	12,175	10,465	16
(b) Operating (loss)/profit after tax before deducting minority interests reported for first half year from continuing operations	(916)	4,430	NM
(c) Sales reported for second half year	9,670	10,087	(4)
(d) Operating loss after tax before deducting minority interests reported for second half year from continuing operations	(831)	(1,418)	(41)

NM – Not meaningful

17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:

No dividend has been declared or recommended for FY2018 and FY2017.

18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement

Pursuant to Rule 704(10) of the Listing Manual Section B: Rules of Catalist of SGX-ST, the Company confirms that there is no person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a Director, Chief Executive Officer or substantial shareholder of the Company.

19. Use of Placement proceeds

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

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

Use of proceeds	Amount allocated (S\$'000)	Amount allocated after the Reallocation ⁽³⁾ (S\$'000)	Amount utilized (S\$'000)	Balance (S\$'000)
(A) New business investments and acquisitions ⁽¹⁾	4,156	2,655	(2,655)	-
(B) General working capital ⁽²⁾	1,781	3,282	(2,971)	311
Total	5,937	5,937	(5,626)	311

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\$865,155);
- Personnel expenses (S\$907,315);
- Rental expenses (S\$803,398); and
- Others (S\$395,213).

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

20. 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).

21. 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 12 months financial periods ended 31 December 2018 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

John Ko, Jihwan

CEO

Date: 28 February 2019

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. (the "**Sponsor**"), for compliance with the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalyst. 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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