

spackmanentertainmentgroup

(Company Registration No.:201401201N)

Unaudited Financial Statement and Dividend Announcement For the Six Months Ended 30 June 2020

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF 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 Six Months Ended		
	30 June 2020 (Unaudited) US\$'000	30 June 2019 (Unaudited) US\$'000	Change %
Revenue	5,558	7,075	(21)
Cost of sales	(4,497)	(3,409)	32
Gross profit	1,061	3,666	(71)
Other income and gains	190	329	(42)
Interest income	46	84	(45)
Expenses			
Selling expenses	(165)	(309)	(47)
General and administrative expenses	(2,931)	(2,882)	2
Finance costs	(178)	(110)	62
Other expenses	(1,669)	(135)	NM
Share of results of associate	(797)	(464)	72
(Loss)/profit before tax	(4,443)	179	NM
Tax expense	158	(450)	NM
Loss for the period	(4,285)	(271)	NM
Other comprehensive loss			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Share of other comprehensive loss of associated company	(109)	(66)	65
Currency translation difference arising from consolidation	(368)	(319)	15
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Currency translation difference arising from consolidation	(31)	(39)	(21)
Total comprehensive loss for the period	(4,793)	(695)	NM
Loss for the period attributable to:			
Equity holders of the Company	(4,126)	(183)	NM
Non-controlling interests	(159)	(88)	81
	(4,285)	(271)	NM
Total comprehensive loss for the period attributable to:			
Equity holders of the Company	(4,603)	(568)	NM
Non-controlling interests	(190)	(127)	50
	(4,793)	(695)	NM

NM – Not meaningful

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

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

	Six Months Ended		Change %
	30 June 2020 (Unaudited) US\$'000	30 June 2019 (Unaudited) US\$'000	
Personnel expenses	1,288	1,230	5
Travel expense	25	78	(68)
Entertainment expense	103	165	(38)
Rental expense	7	78	(91)
Service expenses	367	730	(50)
Depreciation	1,074	821	31
Amortisation	273	90	NM
Interest income	(46)	(84)	(45)
Interest expense	178	110	62
Foreign exchange loss/(gain), net	81	(109)	NM

NM – Not meaningful

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

	Group		Company	
	30 June 2020 (Unaudited) US\$'000	31 December 2019 (Audited) US\$'000	30 June 2020 (Unaudited) US\$'000	31 December 2019 (Audited) US\$'000
Assets				
Investment in subsidiaries	-	-	33,044	33,044
Investment in associated company	20,329	21,236	20,108	20,108
Property, plant and equipment	6,178	8,260	567	672
Intangible assets	19,017	19,019	-	-
Film production inventories	1,321	1,830	-	-
Deferred tax assets	344	352	-	-
Trade and other receivables	786	720	-	-
Financial assets at fair value through profit or loss	1,078	1,096	357	374
Non-current assets	49,053	52,513	54,076	54,198
Financial assets at fair value through profit or loss	3,880	4,138	-	-
Loan to subsidiaries	-	-	525	496
Trade and other receivables	6,629	6,100	1,682	674
Contract assets	193	2,004	-	-
Film production inventories	832	1,147	-	-
Inventories	6	9	-	-
Cash and cash equivalents	6,804	4,212	2,176	148
Current assets	18,344	17,610	4,383	1,318
Total assets	67,397	70,123	58,459	55,516
Liabilities				
Borrowings	2,716	2,833	2,827	3,287
Other non-current liabilities	206	203	-	-
Contract liabilities	1,337	1,326	-	-
Deferred tax liabilities	1,001	1,202	-	-
Non-current liabilities	5,260	5,564	2,827	3,287
Trade and other payables	3,526	3,892	258	383
Contract liabilities	2,407	2,427	-	-
Borrowings	5,081	5,772	1,207	603
Film obligation and production loans	362	388	-	-
Tax payables	109	375	-	-
Current liabilities	11,485	12,854	1,465	986
Total liabilities	16,745	18,418	4,292	4,273
Net assets	50,652	51,705	54,167	51,243

	Group		Company	
	30 June 2020 (Unaudited) US\$'000	31 December 2019 (Audited) US\$'000	30 June 2020 (Unaudited) US\$'000	31 December 2019 (Audited) US\$'000
Share capital and reserves				
Share capital	70,007	66,197	70,007	66,197
Treasury shares	(535)	(465)	(535)	(465)
Other reserves	(3,251)	(2,774)	-	-
Accumulated losses	(16,177)	(12,051)	(15,305)	(14,489)
Equity attributable to equity holders of the Company, total	50,044	50,907	54,167	51,243
Non-controlling interests	608	798	-	-
Total equity	50,652	51,705	54,167	51,243

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 2020 (Unaudited)		As at 31 December 2019 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
1,952	3,129	2,773	2,999

Amount repayable after one year

As at 30 June 2020 (Unaudited)		As at 31 December 2019 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
1,883	833	1,969	864

Details of any collateral

The Group's short-term borrowings are secured over a credit guarantee by Korea Credit Guarantee Fund ("KCGF"), a mortgage of the land and a building, a personal guarantee by a subsidiary's chief executive officer and the film *JESTERS: THE GAME CHANGERS* by Seoul Guarantee Insurance Co., Ltd.

The Group's long-term borrowings are secured over a credit guarantee by KCGF and a mortgage of the land and a building.

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	
	6 Months Ended	
	30 June 2020	30 June 2019
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Operating activities		
(Loss)/Profit before tax	(4,443)	179
Adjustments for:		
Depreciation of property, plant and equipment	1,074	821
Amortisation of intangible assets	273	90
Interest income	(46)	(84)
Interest expense	178	110
Impairment loss on film production inventories	599	-
Impairment loss on property, plant and equipment	937	-
Fair value loss with respect to financial assets at FVTPL	17	-
Allowance for doubtful receivables	2	-
Reversal of loss on film borne by external investors	1	-
Share of results of associated company	797	464
Gain on disposal of investments	-	(132)
Operating (loss)/profit before working capital changes	(611)	1,448
Working capital changes		
Inventories and copyrights	2	(2)
Film production inventories	(48)	(41)
Receivables and contract assets	2,695	(486)
Payables and contract liabilities	(447)	573
Currency translation adjustments	524	65
Cash generated from operations	2,115	1,557
Interest received	5	58
Income tax paid	(303)	(259)
Net cash generated from operating activities	1,817	1,356
Investing activities		
Short term loans granted	(1,514)	(1,169)
Collection of short-term loans	55	27
Purchases of property, plant and equipment	(41)	(488)
Purchases of intangible assets	(29)	(41)
Proceeds from disposal of intangible assets	16	-
Purchases of investments	-	(113)
Decrease of leasehold deposit	109	254
Proceeds from disposal of investments	103	2,285
Net cash (used in)/ generated from investing activities	(1,301)	755

	Group	
	6 Months Ended	
	30 June 2020	30 June 2019
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Financing activities		
Repayment of lease liabilities	(478)	-
Repayment of borrowings	(1,199)	(1,406)
Proceeds from borrowings	808	1,260
Repayment of film obligations and production loans	(26)	(38)
Advances received from staff	166	-
Repayment of advances received from staff	(73)	-
Issuance of shares	3,810	-
Purchase of treasury shares	(70)	(134)
Interest paid	(229)	(110)
Net cash generated from/(used in) financing activities	2,709	(428)
Net change in cash and cash equivalents	3,225	1,683
Cash and cash equivalents at beginning of financial period	4,212	2,744
Effect of exchange rate changes	(633)	8
Cash and cash equivalents at end of the financial period	6,804	4,435

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 January 2020	66,197	(465)	(2,774)	(12,051)	50,907	798	51,705	
Loss for the period				(4,126)	(4,126)	(159)	(4,285)	
<u>Other comprehensive loss for the period</u>								
Share of other comprehensive loss of associated company	-	-	(109)	-	(109)	-	(109)	
Currency translation difference on consolidation	-	-	(368)	-	(368)	(31)	(399)	
	-	-	(477)	-	(477)	(31)	(508)	
Share issued	3,810	-	-	-	3,810	-	3,810	
Purchase of treasury shares	-	(70)	-	-	(70)	-	(70)	
Balance as at 30 June 2020	70,007	(535)	(3,251)	(16,177)	50,044	608	50,652	
Group (Unaudited)								
Balance as at 1 January 2019	64,411	(205)	(2,329)	(8,895)	52,982	1,146	54,128	
Loss for the period				(183)	(183)	(88)	(271)	
<u>Other comprehensive loss for the period</u>								
Share of other comprehensive loss of associated company	-	-	(66)	-	(66)	-	(66)	
Currency translation difference on consolidation	-	-	(319)	-	(319)	(39)	(358)	
	-	-	(385)	-	(385)	(39)	(424)	
Purchase of treasury shares	-	(134)	-	-	(134)	-	(134)	
Balance as at 30 June 2019	64,411	(339)	(2,714)	(9,078)	52,280	1,019	53,299	

Statement of Changes in Equity

Company (Unaudited)	Share capital	Treasury shares	Accumulated losses	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 January 2020	66,197	(465)	(14,489)	51,243
Loss for the period	-	-	(816)	(816)
Issue of ordinary shares	3,810	-	-	3,810
Purchase of treasury shares	-	(70)	-	(70)
Balance as at 30 June 2020	70,007	(535)	(15,305)	54,167

Company (Unaudited)				
Balance as at 1 January 2019	64,411	(339)	(4,417)	59,655
Loss for the period	-	-	(334)	(334)
Balance as at 30 June 2019	64,411	(339)	(4,751)	59,321

1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Shares Capital – Ordinary Shares	Issued of shares	Issued and paid-up share capital
Balance as at 1 January 2020	1,205,614,708	US\$66,197,553
Issue of ordinary shares ⁽¹⁾	743,611,111	US\$3,809,902
Balance as at 30 June 2020	1,949,225,819	US\$70,007,455

Treasury shares	Number of shares	Amount
Balance as at 1 January 2020	21,649,100	US\$465,026
Purchase of treasury shares ⁽²⁾	5,919,400	US\$70,276
Balance as at 30 June 2020	27,568,500	US\$535,302

Notes:

- (1) The Company had on 10 June 2020 issued and allotted 743,611,111 new ordinary shares of the Company pursuant to the completion of the placement exercise.
- (2) On 3 January 2020, the Company purchased an aggregate of 5,919,400 treasury shares by way of market acquisition.

The Company did not have any outstanding options or convertibles as at 30 June 2020 and 30 June 2019.

There were 27,568,500 treasury shares, representing 1.43% of the total number of outstanding shares in issue (excluding treasury shares) of 1,921,657,319 as at 30 June 2020. There were 9,649,100 treasury shares, representing 0.94% of the total number of outstanding shares in issue (excluding treasury shares) of 1,030,965,608 as at 30 June 2019.

There were also no subsidiary holdings as at 30 June 2020 and 30 June 2019.

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 2020	As at 31 December 2019
Total number of issued shares excluding treasury shares	1,921,657,319	1,183,965,608

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

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

1(d)(v) A statement showing all sales, transfers, disposals, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. There are no subsidiary holdings during and as at end of the current financial period reported on.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any modifications or emphasis of a matter).

Not applicable as the figures have not been audited or reviewed by the Company's auditors.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable. The Company's auditors did not express a modified opinion on the Group's latest audited financial statements for the financial year ended 31 December 2019.

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 2019 (“FY2019”).

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting financial period as that of the audited financial statements for the year ended 31 December 2019.

6. Loss 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	
	30 June 2020	30 June 2019
Loss per share (“LPS”)		
Loss attributable to shareholders of the Company (US\$)	(4,126,068)	(182,778)
Weighted average number of ordinary shares in issue	1,259,761,715	1,031,230,801
Basic and fully diluted basis LPS (US cents) ^{(1) (2)}	(0.33)	(0.02)
Adjusted LPS (US cents) ⁽³⁾	(0.21)	(0.02)

Notes:

- (1) The basic and fully diluted basic LPS of the Group for the respective periods was calculated based on the weighted average number of ordinary shares in issue for the respective periods.
- (2) The basic and fully diluted basic LPS are the same as there were no potentially dilutive ordinary shares in existence during the respective periods.
- (3) For comparative purposes, the adjusted LPS of the Group for 6M 2020 was calculated based on 1,921,657,319 ordinary shares in issue (excluding treasury shares) as at 30 June 2020.

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 year reported on; and
(b) Immediately preceding financial year

	Group		Company	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Net asset value (US\$)	50,651,900	51,705,316	54,167,337	51,243,178
Number of ordinary shares in issue (excluding treasury shares)	1,921,657,319	1,183,965,608	1,921,657,319	1,183,965,608
Net asset value per ordinary share (US\$)	0.026	0.044	0.028	0.043

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 2020 ("6M 2020") vs Six months ended 30 June 2019 ("6M 2019")

The breakdown of revenue in 6M 2020 and 6M 2019 is as follows:

Source of revenue	Group	
	6M 2020 (Unaudited) US\$ million	6M 2019 (Unaudited) US\$ million
Production of films	3.84	4.19
Distribution of films and others	0.72	0.90
Leasing of equipment	0.58	1.13
Sales of content	0.02	0.20
Consulting services	0.01	0.18
Restaurant sales and café lounge business	0.14	0.19
Photography	0.05	0.04
Others	0.20	0.25
Total	5.56	7.08

Revenue decreased by 21% year-on-year ("YoY") to US\$5.56 million in 6M 2020, mainly due to the followings:

- (i) decrease of US\$0.55 million from leasing of equipment to third parties by Frame Pictures Co., Ltd. "**Frame Pictures**" due to fewer film and television drama projects in 6M 2020 as these projects were postponed due to the Coronavirus "**COVID-19**" pandemic;
- (ii) decrease in production of films of US\$0.35 million mainly due to lower recognition of the share of profit for acting as the producer for *CRAZY ROMANCE* of US\$0.24 million in 6M 2020 as compared to the recognition of the share of profit for acting as the producer for *DEFAULT* of US\$1.73 million in 6M 2019. The decrease is partially offset by a higher percentage-of-completion "**POC**" of *#ALIVE* (produced by Zip Cinema Co., Ltd. "**Zip Cinema**") and *GUARDIAN* (produce by Studio Take Co., Ltd. "**Studio Take**") of total US\$3.60 million based on costs incurred relative to total expected costs in 6M2020 as compared to the POC of *CRAZY ROMANCE* and *#ALIVE* of total US\$2.46 million in 6M 2019; and
- (iii) decrease in distribution of films and others of US\$0.18 million mainly due to fewer motion films distributed by the Group in 6M 2020 as compared to that for 6M 2019.

Cost of sales

6M 2020 vs 6M 2019

The breakdown of cost of sales in 6M 2020 and 6M 2019 is as follows:

	Group	
	6M 2020 (Unaudited) US\$ million	6M 2019 (Unaudited) US\$ million
Cost of sales		
Production of films	3.41	2.23
Distribution of films and others	0.37	0.51
Leasing of equipment	0.47	0.45
Sales of content	0.02	0.10
Consulting services	-	0.01
Restaurant sales and café lounge business	0.07	0.09
Others	0.16	0.02
Total	4.50	3.41

Cost of sales increased by 32% YoY to US\$4.50 million in 6M 2020, mainly due to an increase of US\$1.18 million from production of films mainly due to higher production costs incurred in 6M 2020 for *GUARDIAN* and *#ALIVE* of US\$2.49 million and US\$0.91 million respectively as compared to the production costs that were incurred in 6M 2019 for *CRAZY ROMANCE* and *#ALIVE* of US\$1.67 million and US\$0.54 million respectively.

Gross profit

6M 2020 vs 6M 2019

Gross profit decreased by US\$2.61 million or 71% YoY from US\$3.67 million in 6M 2019 to US\$1.06 million in 6M 2020, mainly due to the followings:

- (i) lower recognition of share of profit for acting as the producer for *CRAZY ROMANCE* in 6M 2020 of US\$0.24 million as compared to that share of profit for acting as the producer for *DEFAULT* of US\$1.73 million in 6M 2019; and
- (ii) lower gross profit by US\$0.57 million in 6M 2020 from leasing of equipment to third parties by Frame Pictures. In 6M 2020, due to fewer films and television drama projects in Korea as these projects have to be postponed due to the lockdown restrictions and social distancing measures on the filming set as a result of the COVID-19 pandemic, Frame Pictures leased out cameras at a lower profit margin to secure the few projects in the market in order to cover its costs as part of its short-term pricing strategy.

Other income and gains

6M 2020 vs 6M 2019

Other income and gains decreased by US\$0.14 million or 42% YoY to US\$0.19 million in 6M 2020 mainly because there was an absence of returns from the investment in projects (6M 2019: returns from the investment in television drama project *MY SECRET TERRIUS* by Greenlight Content Co., Ltd. "**Greenlight Content**" of US\$0.10 million and returns from the investment in film project *THE NEGOTIATION* by Take Pictures Pte. Ltd. "**Take Pictures**" of US\$0.03 million).

Selling expenses

6M 2020 vs 6M 2019

Selling expenses decreased by 47% YoY to US\$0.17 million in 6M 2020 mainly due to the COVID-19 pandemic that has reduced corporate travels and other related expenses because of the travel restrictions and social distancing measures.

General and administrative expenses

6M 2020 vs 6M 2019

General and administrative expenses have increased marginally by 2% YoY to US\$2.93 million in 6M 2020. This is mainly attributable to fixed overhead costs that remain unchanged while consumables and office supplies expenses have increased marginally amid stay-at-home orders in 6M 2020 due to the COVID-19 pandemic.

Other expenses

6M 2020 vs 6M 2019

Other expenses increased by US\$1.53 million, from US\$0.14 million in 6M 2019 to US\$1.67 million in 6M 2020 mainly due to an impairment loss on property, plant and equipment of Frame Pictures of US\$0.94 million and an impairment loss on film production inventories of US\$0.60 million in 6M 2020. Impairment loss on property, plant and equipment of Frame Pictures is mainly due to the increasingly seen short iteration cycles of rapid development and product replacement for cameras and lenses which resulted in a higher carrying value than its recoverable amount. Impairment loss on film production inventories is due to several project developments that have been put on hold due to the COVID-19 outbreak. As the COVID-19 outbreak is still rapidly evolving, management will continually assess the impact of the outbreak on the film production inventories.

Share of results of associate

6M 2020 vs 6M 2019

The share of results of associate of a loss of US\$0.80 million in 6M 2020 (6M 2019: a loss of US\$0.46 million) was mainly attributable to the losses from the Company's 43.88% owned associated company, Spackman Media Group Limited "SMGL" of US\$0.79 million. COVID-19 is having a marked impact on talent management and entertainment industry in 6M 2020 as the works of SMGL artists are largely premised on dense physical contact and live experiences. The disruptions to the production of films, television dramas and commercial advertisement with the lockdown restrictions and social distancing measures on the filming set have resulted in a loss position for SMGL in 6M 2020.

Tax expense

6M 2020 vs 6M 2019

The Group recorded tax credit of US\$0.16 million in 6M 2020 (6M 2019: tax expense of US\$0.45 million), mainly as a result of the loss-making position of the Group and the reduction in the deferred tax liability due to the reversal of the taxable temporary differences in 6M 2020.

(Loss)/profit before tax

6M 2020 vs 6M 2019

As a result of the above, the Group recorded a loss before tax of US\$4.44 million in 6M 2020 as compared to a profit before tax of US\$0.18 million in 6M 2019.

Consolidated Statement of Financial Position

Non-current assets

The Group's non-current assets amounted to US\$49.05 million as at 30 June 2020. The decrease in non-current assets from US\$52.51 million as at 31 December 2019 was mainly due to:

- i) decrease in property, plant and equipment of US\$2.08 million mainly attributable to the impairment loss of US\$0.94 million and depreciation charged in 6M 2020;
- ii) decrease in investment in associated company of US\$0.91 million mainly attributable to the share of losses and share of foreign currency translation differences of US\$0.79 million and US\$0.11 million from SMGL; and
- iii) decrease in film production inventories of US\$0.51 million mainly due to the recognition of impairment loss in 6M 2020.

Current assets

The Group's current assets amounted to US\$18.34 million as at 30 June 2020. The increase in current assets from US\$17.61 million as at 31 December 2019 was mainly due to:

- i) increase in cash and cash equivalents of US\$2.59 million, mainly due to the reasons as explained under the discussion for the "Consolidated Statement of Cash Flow" below; and
- ii) partially offset by a decrease in contract assets of US\$1.81 million mainly due to the subsequent billing and collection of unbilled receivables related to *CRAZY ROMANCE* of US\$1.56 million in 6M 2020.

Non-current liabilities

The Group's non-current liabilities amounted to US\$5.26 million as at 30 June 2020. The slight decrease in non-current liabilities from US\$5.56 million as at 31 December 2019 was mainly due to a decrease in deferred tax liabilities of US\$0.20 million due to the reversal of the taxable temporary differences in 6M 2020.

Current liabilities

The Group's current liabilities amounted to US\$11.49 million as at 30 June 2020. The decrease in current liabilities from US\$12.85 million as at 31 December 2019 was mainly due to a decrease in borrowings of US\$0.69 million, and a decrease in trade and other payables of US\$0.37 million mainly in relation to the payment made by Novus Mediacorp Co., Ltd. "**Novus Mediacorp**" to copyright suppliers of *THE OUTLAWS*, *LONG LIVE THE KING* and *MY FIRST CLIENT* of total US\$0.25 million in 6M 2020.

Consolidated Statement of Cash Flow

As at 30 June 2020, the Group had cash and cash equivalents amounting to US\$6.80 million as compared to cash and cash equivalents amounting to US\$4.44 million as at 30 June 2019.

The significant cash movements during 6M 2020 as compared to 6M 2019 can be summarised as follows:

Cash flow generated from operating activities for 6M 2020 amounted to US\$1.82 million as compared to cash generated from operating activities of US\$1.36 million for 6M 2019. The cash flow generated from operating activities for 6M 2020 was mainly due to a decrease in receivables and contract assets of US\$2.70 million, and partially offset by a decrease in payables and contract liabilities of US\$0.45 million and the operating loss before working capital changes of US\$0.61 million.

Cash flow used in investing activities for 6M 2020 was US\$1.30 million as compared to cash flow generated from investing activities of US\$0.76 million for 6M 2019. The cash flow used in investing activities for 6M 2020 was mainly due to short term loans granted of US\$1.51 million.

Cash flow generated from financing activities was US\$2.71 million for 6M 2020 as compared to cash flow used in financing activities of US\$0.43 million for 6M 2019. The cash generated from financing activities in 6M 2020 was mainly due to the placement of 743,611,111 new ordinary shares of the Company to raise net proceeds of S\$5.35 million (approximately US\$3.81 million) and proceeds from borrowings of US\$0.81 million, and partially offset by repayment of borrowings and lease liabilities of total US\$1.68 million and interest paid of US\$0.23 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable. No forecast or prospect statement has been previously disclosed to shareholders.

10. Segment information

The Group is organised into business units based on nature of the income for management purposes. The reportable segments are revenue from distribution of films, production of films and leasing of equipment.

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

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

In US\$' million	Distribution of films		Production of films		Leasing of equipment		Others		Total	
	6M2020	6M2019	6M2020	6M2019	6M2020	6M2019	6M2020	6M2019	6M2020	6M2019
Revenue	0.71	0.90	3.84	4.19	0.58	1.13	0.43	0.86	5.56	7.08
Cost of sales	(0.37)	(0.51)	(3.41)	(2.23)	(0.47)	(0.45)	(0.25)	(0.22)	(4.50)	(3.41)
Share of results of associated companies	-	-	-	-	-	-	(0.80)	(0.47)	(0.80)	(0.47)
Gain on project investment	-	-	-	-	-	-	-	0.13	-	0.13
Impairment loss on property, plant and equipment	-	-	-	-	(0.94)	-	-	-	(0.94)	-
Impairment loss on film production inventories	(0.60)	-	-	-	-	-	-	-	(0.60)	-
Segment gross results	(0.26)	0.39	0.43	1.96	(0.83)	0.68	(0.62)	0.30	(1.28)	3.33
Selling and general & administrative expenses	(0.29)	(0.35)	(1.54)	(1.62)	(0.23)	(0.44)	(0.17)	(0.33)	(2.23)	(2.74)
Segment net results	(0.55)	0.04	(1.11)	0.34	(1.06)	0.24	(0.79)	(0.03)	(3.51)	0.59
Unallocated other income:										
Other income and gains									0.19	0.20
Interest income									0.05	0.08
Unallocated expenses:										
Depreciation and amortisation									(0.87)	(0.46)
Other expenses									(0.13)	(0.12)
Finance costs									(0.18)	(0.11)
(Loss)/profit before tax									(4.45)	0.18
Tax expense									0.16	(0.45)
Loss for the period									(4.29)	(0.27)
Segment assets	1.05	2.74	5.22	12.85	1.99	3.47	33.56	2.63	41.82	21.69
Unallocated assets									25.58	46.72
Total assets									67.40	68.41
Segment liabilities	0.60	0.46	3.25	2.15	0.56	1.49	0.36	0.45	4.77	4.55
Unallocated liabilities									11.98	10.56
Total liabilities									16.75	15.11

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

Film Production

The Group's zombie thriller film, *#ALIVE*, produced by the Group's indirect wholly-owned subsidiary, Zip Cinema, attained #1 in VOD sales at top IPTV channels in Korea such as KT's Olleh TV and Digital Cable TV Home Choice since the first day of its post-theatrical release on 28 July 2020 in Korea.

#ALIVE was recorded as one of the first successful theatrical movie releases in the world amidst the current COVID-19 pandemic. The film surpassed the 1 million ticket sales within five days of its wide release on 24 June 2020, and was the first film to break the one million ticket sales mark since February 2020 at the Korean box office. The film is distributed by Lotte Entertainment and directed by Jo Il Hyung.

The Group's upcoming art film, *STONE SKIPPING*, produced by the Group's indirect wholly owned subsidiary, Studio Take, is expected to be released in Korea on 9 September 2020. The film is the first production of Studio Take, founded by veteran movie producer, Mr. Song Dae-chan. *STONE SKIPPING* is directed by Kim Jung-sik and distributed by Little Big Pictures.

Other than *STONE SKIPPING*, Studio Take's new film, *GUARDIAN*, is expected to be released in Korea by 2021.

The Group also owns a 20% equity interest in The Makers Studio, which plans to produce and release four upcoming films, the first of which will be *THE ISLAND OF THE GHOST'S WAIL*, a comedy horror film expected to be released in 2021.

Impact from COVID-19

In terms of distribution, COVID-19 affected the release timing of the Group's projects such as *#ALIVE*, *STONE SKIPPING* and *GUARDIAN*.

In terms of production and other related projects such as camera equipment leasing and artist-related projects, if the COVID-19 situation continues to prolong, the Group anticipates disruptions as well due to the COVID-19 measures and restrictions implemented at the work place and the social environment.

As to the financial aspect, in the short term, investors may be less keen to invest into the movie business due to the uncertainties brought about by COVID-19. The Group may expect that film projects will be more difficult to finance, but will look out for opportunities to participate in US films.

The Group intends to strategically diversify into the production and financing of US movies, a major initiative that the Group plans to unveil in the near future.

Spackman Media Group Limited

The Group and its 43.88% associated company, SMGL, have been exploring collaboration with and discussing potential equity investment from certain potential strategic investors. The Group shall keep shareholders updated of material developments, as and when appropriate.

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) Record date:

Not applicable.

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

No dividend has been declared or recommended for 6M 2020. The available fund will be retained for working capital use.

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

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

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and conducted under shareholders' mandate pursuant to Rule 920) (S\$'000)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) (S\$'000)
Eugene Lee (Executive Director and Chief Producer of the Company)	997 ⁽¹⁾	Not applicable

Note:

(1) Relates to a loan of KRW200 million which was extended from Zip Cinema to Eugene Lee on 2 August 2017, an additional loan of KRW380 million to Eugene Lee on 25 October 2018, and an additional loan of KRW300 million to Eugene Lee on 29 April 2020.

15. Use of Placement proceeds

The Company refers to the net proceeds amounting to S\$5.35 million raised from the placement of 743,611,111 new ordinary shares of the Company as announced on 27 May 2020 (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⁽²⁾ (S\$'000)	Amount utilised (S\$'000)	Balance (S\$'000)
New business investments and acquisitions	3,207	2,000	-	2,000
Repayment of borrowings	1,336	1,336	-	1,336
General working capital⁽¹⁾	802	2,009	(1,120)	889
Total	5,345	5,345	(1,120)	4,225

Notes:

(1) Utilised for:

- Personnel expenses (S\$636,876);
- Audit and professional fees (S\$241,031);
- Rental expenses (S\$218,834); and
- Others (S\$23,180)

(2) The Company has reallocated S\$1,207,000 allocated for new business investments and acquisitions to general working capital (“Reallocation”) to accommodate to the changing business environment.

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)

Having considered, including but not limited to, the following:

- whether the financial statements provided a balanced and fair view of any material factors that have affected the Company's business conditions and financial position; and
- all material information has been assessed to ensure reliability of the financial statements,

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 6 months financial period ended 30 June 2020 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

John Ko, Jihwan

CEO

Date: 13 August 2020

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 independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr. Mah How Soon, Registered Professional, at 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619, telephone (65) 6381 6966.