

spackmanentertainmentgroup

(Company Registration No.:201401201N)

Unaudited Financial Statement and Dividend Announcement For the Three Months Ended 31 March 2017

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		
	31 March 2017 (Unaudited) US\$'000	31 March 2016 (Unaudited) US\$'000	Change %
	Revenue	8,028	3,856
Cost of sales	(4,169)	(4,582)	(9)
Gross profit/(loss)	3,859	(726)	NM
Other income	3,155	2,049	54
Selling expenses	(114)	(68)	68
General and administrative expenses	(1,224)	(1,083)	13
Finance costs	(12)	(43)	(72)
Other expenses	(25)	(680)	(96)
Share of results of associate	(174)	(214)	(19)
Profit/(loss) before tax	5,465	(765)	NM
Tax expense	(774)	(77)	NM
Profit/(loss) from continuing operations	4,691	(842)	NM
Loss from discontinued operation (net of tax)	-	(42)	NM
Profit/(loss) for the period	4,691	(884)	NM
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Other comprehensive income/(loss) on Equity method	120	(169)	NM
Currency translation difference arising from consolidation	575	139	NM
Total comprehensive profit/(loss) for the period	5,386	(914)	NM
Profit/(loss) for the period attributable to:			
Equity holders of the Company	4,793	(966)	NM
Non-controlling interests	(102)	82	NM
	4,691	(884)	NM
Total comprehensive profit/(loss) for the period attributable to:			
Equity holders of the Company	5,437	(1,022)	NM
Non-controlling interests	(51)	108	NM
	5,386	(914)	NM

NM – Not meaningful

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

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

	Three Months Ended		
	31 March 2017	31 March 2016	Change %
	(Unaudited) US\$'000	(Unaudited) US\$'000	
Personnel expenses	532	753	(29)
Rent expense	212	206	3
Travel expense	44	22	100
Entertainment expense	40	21	90
Service expenses	185	235	(21)
Impairment loss on film production inventories	25	31	(19)
Depreciation and amortization	43	30	43
Reversal of allowance of doubtful receivables	-	(254)	NM
Profit on film distributable to external investor	-	670	NM
Loss on film borne by external investors	-	(1,963)	NM
Gain on disposal of associate	(2,985)	-	NM
Interest expense	12	43	(72)
Interest income	(9)	(24)	(63)
Foreign exchange (gain)/loss, net	(109)	41	NM

NM – Not meaningful

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

	Three Months Ended		
	31 March 2017	31 March 2016	Change %
	(Unaudited) US\$'000	(Unaudited) US\$'000	
Personnel expenses	-	99	NM
Rent expense	-	8	NM
Travel expense	-	12	NM
Service expenses	-	33	NM
Depreciation and amortization	-	7	NM
Allowance of doubtful receivables	-	238	NM
Interest income	-	(1)	NM

(*) Discontinued operation refer to the talent management business of UAA Korea Co., Ltd. (“UAA Korea”)

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 March 2017 (Unaudited) US\$'000	31 December 2016 (Audited) US\$'000	31 March 2017 (Unaudited) US\$'000	31 December 2016 (Audited) US\$'000
Assets				
Investment in subsidiaries	-	-	20,413	16,245
Investment in associated company	6,162	3,433	5,964	3,298
Property, plant and equipment	5,969	3,080	11	12
Intangible assets	4,169	937	-	-
Film production inventories	505	355	-	-
Deferred tax assets	-	123	-	-
Long term trade and other receivables	4	-	-	-
Long term investment	18	-	357	-
Non-current assets	16,827	7,928	26,745	19,555
Investments	4,768	4,457	-	-
Loan to a subsidiary	-	-	83	429
Trade and other receivables	7,913	3,615	673	399
Film production inventories	-	69	-	-
Inventories	89	5	-	-
Cash and cash equivalents	8,991	5,936	4,079	470
Current assets	21,761	14,082	4,835	1,298
Total assets	38,588	22,010	31,580	20,853
Liabilities				
Borrowings	2,079	1,903	-	-
Long-term finance lease liabilities	565	-	-	-
Other non-current liabilities	62	136	-	-
Deferred tax liabilities	794	35	-	-
Non-current liabilities	3,500	2,074	-	-
Trade and other payables	4,430	3,013	955	181
Deferred revenue	2,783	2,649	-	-
Borrowings	94	-	-	-
Finance lease liabilities	486	-	-	-
Film obligation and production loans	987	912	-	-
Tax payables	414	153	-	-
Current liabilities	9,194	6,727	955	181
Total liabilities	12,694	8,801	955	181
Net assets	25,894	13,209	30,625	20,672
Share capital and reserves				
Share capital	32,313	25,019	32,313	25,019
Other reserves	(2,737)	(3,386)	-	-
Accumulated losses	(4,279)	(9,072)	(1,688)	(4,347)
Equity attributable to equity holders of the Company, total	25,297	12,561	30,625	20,672
Non-controlling interests	597	648	-	-
Total equity	25,894	13,209	30,625	20,672

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 March 2017 (Unaudited)		As at 31 December 2016 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
72	22	-	-

Amount repayable after one year

As at 31 March 2017 (Unaudited)		As at 31 December 2016 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
2,079	-	1,903	-

Details of any collateral

The Group's secured portion of short-term borrowings was secured over a personal guarantee by a subsidiary's chief executive officer. Long-term borrowings of US\$2,060,747 is secured over land and a building with carrying amounts of US\$3,090,700 as at 31 March 2017 (31 December 2016: US\$2,870,471) and remaining long-term borrowings of US\$17,920 is secured over a personal guarantee by a subsidiary's chief executive officer.

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	
	Three Months Ended	
	31 March 2017	31 March 2016
	(Unaudited) US\$'000	(Unaudited) US\$'000
Operating activities		
Profit/(loss) before income tax from continuing operations	5,465	(765)
Profit before income tax from discontinued operation	-	17
Adjustments for:		
Depreciation of property, plant and equipment	43	35
Amortization of intangible assets	-	2
Interest income	(9)	(25)
Interest expense	12	43
Share of results of associated company	174	214
Gain on investments	-	(18)
Reversal of allowance for doubtful receivables	-	(16)
Impairment loss on film production inventories	25	31
Fair value loss on investment in insurance products	15	-
Gain on disposal of associate	(2,985)	-
Loss on disposition of investment	185	-
Loss on film borne by external investors	-	(1,963)
Operating profit/(loss) before working capital changes	2,925	(2,445)
Working capital changes		
Investment in theatrical film projects, net		
Inventories	(8)	-
Film production inventories	(142)	(2,770)
Receivables	(3,046)	20,590
Payables	(847)	(16,072)
Currency translation adjustments	(108)	(1)
Cash used in operations	(1,226)	(698)
Interest received	5	33
Income tax paid	-	(209)
Net cash used in operating activities	(1,221)	(874)
Investing activities		
Short term loans granted	(8)	(52)
Collection of short term loans	388	50
Purchases of property, plant and equipment	(19)	(48)
Acquisition of associated company	(115)	
Investment in securities	(355)	-
Investment in project	(39)	-
Proceeds from disposal of investment in project	173	-
Purchases of long term investments	(13)	-
Purchases of short term investments	-	(152)
Proceeds from disposal of short term investments	-	1,383
Net cash from investing activities	12	1,181
Financing activities		
Repayment of loans	(343)	(1,616)

	Group	
	Three Months Ended	
	31 March 2017	31 March 2016
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Additional loans	22	21
Proceeds from film obligations and production loans	-	3,080
Issuance of shares	4,257	-
Payment of box office proceeds to investors	-	(3)
Interest paid	(12)	(80)
Net cash from financing activities	3,924	1,402
Net change in cash and cash equivalents	2,715	1,709
Cash and cash equivalents at beginning of financial period	5,936	5,949
Effect of exchange rate changes	290	126
Cash generated from acquisition of subsidiaries	50	-
Cash and cash equivalents at end of the financial period	8,991	7,784
Cash and cash equivalents comprise:		
- Continuing operations	8,991	6,364
- Discontinued operations	-	1,420
	8,991	7,784

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

Statement of Changes in Equity

Group (unaudited)	← Attributable to equity holders of the Company →						
	Share capital	Other reserve	(Accumulated losses)/retained earnings	Reserve of disposal group classified as held for sale	Total	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 January 2017	25,019	(3,386)	(9,072)	-	12,561	648	13,209
Profit for the period	-	-	4,793	-	4,793	(102)	4,691
<i>Other comprehensive profit for the period</i>							
Share of foreign currency translation difference of associate	-	120	-	-	120	-	120
Currency translation difference on consolidation	-	524	-	-	524	51	575
	-	644	4,793	-	5,437	(51)	5,386
Share issued for public placement	4,257	-	-	-	4,257	-	4,257
Share issued for additional acquisition of associated company	3,037	-	-	-	3,037	-	3,037
Others	-	5	-	-	5	-	5
Balance as at 31 March 2017	32,313	(2,737)	(4,279)	-	25,297	597	25,894
Group (unaudited)							
Balance as at 1 January 2016	25,019	(3,100)	(6,647)	(207)	15,065	1,630	16,695
Loss for the period	-	-	(966)	-	(966)	82	(884)
<i>Other comprehensive profit for the period</i>							
Share of foreign currency translation difference of associate	-	(23)	-	-	(23)	-	(23)
Currency translation difference on consolidation	-	111	-	-	111	26	137
	-	88	(966)	-	(878)	108	(770)
Reserve attributable to disposal group classified as held for sale	-	(60)	-	60	-	-	-
Balance as at 31 March 2016	25,019	(3,072)	(7,613)	(147)	14,187	1,738	15,925

Statement of Changes in Equity

Company (unaudited)	Share capital US\$'000	Accumulated losses US\$'000	Total US\$'000
Balance as at 1 January 2017	25,019	(4,347)	20,672
Issuance of ordinary shares for public placement	4,257	-	4,257
Issuance of ordinary shares for additional acquisition of associated company	3,037	-	3,037
Profit for the period	-	2,659	2,659
Balance as at 31 March 2017	32,313	(1,688)	30,625

Company (Unaudited)

Balance as at 1 January 2016	25,019	(3,730)	21,289
Loss for the period	-	(267)	(267)
Balance as at 31 March 2016	25,019	(3,997)	21,022

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	Issued and paid-up share capital
Balance as at 1 January 2017	398,770,209	US\$25,019,233
Issuance of SPA Shares on 20 March 2017 ⁽¹⁾	26,161,491	US\$3,036,683
Issuance of Placement Shares on 20 March 2017 ⁽¹⁾	38,100,000	US\$4,257,224
Balance as at 31 March 2017	463,031,700	US\$32,313,140

Notes:

- (1) The Company had on 20 March 2017 completed the issuance and allotment of 26,161,491 new ordinary shares of the Company (“SPA Shares”) in relation to the share sale and purchase agreement with certain existing shareholders of the Company’s associated company, Spackman Media Group Limited.
- (2) The Company had on 20 March 2017 completed the placement of 38,100,000 new ordinary shares of the Company (“Placement Shares”) (“Placement”).

The Company did not have any outstanding options or convertibles as at 31 March 2017 and 31 March 2016.

There are also no treasury shares or subsidiary holdings as at 31 March 2017 and 31 March 2016.

(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 March 2017	As at 31 December 2016
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Total number of issued shares	463,031,700	398,770,209
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There are no treasury shares as at 31 March 2017 and 31 December 2016.

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 are no treasury shares during and as at the end of the current financial period reported on.

1(d)(iv) 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 the 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.

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 2016 ("FY2016").

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 FY2016, 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 2017. 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 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**

Earnings/(loss) per share ("EPS/(LPS)")	Group	
	Three Months Ended	
	31 March 2017	31 March 2016
Profit/(loss) attributable to shareholders of the Company (US\$)	4,792,778	(965,225)
Weighted average number of ordinary shares in issue	405,910,375	398,770,209
Basic and fully diluted basis EPS/(LPS) (US cents) ⁽¹⁾⁽²⁾	1.18	(0.24)
Adjusted EPS/(LPS) (US cents) ⁽³⁾	1.04	(0.21)

Notes:

- (1) The basic and fully diluted basic EPS/(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 EPS/(LPS) are the same as there were no potentially dilutive ordinary shares in existence during the respective periods.
- (3) For comparative purposes, the adjusted EPS/(LPS) of the Group for the respective periods was calculated based on 463,031,700 ordinary shares in issue as at 31 March 2017.

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 March 2017	31 December 2016	31 March 2017	31 December 2016
Net asset value (US\$)	25,893,593	13,208,621	30,625,122	20,671,704
Number of ordinary shares in issue	463,031,700	398,770,209	463,031,700	398,770,209
Net asset value per ordinary share (US\$)	0.056	0.033	0.066	0.052

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 (three months ended 31 March 2017 (“Q1 2017”) vs three months ended 31 March 2016 (“Q1 2016”))

Revenue

The breakdown of revenue in Q1 2017 and Q1 2016 is as follows:

Source of revenue	Group		Change %
	Q1 2017 (Unaudited) US\$ million	Q1 2016 (Unaudited) US\$ million	
Production of films	3.84	1.72	123
Distribution of films and others (*)	4.05	2.02	100
Restaurant sales and café lounge business	0.11	0.06	83
Photography	0.03	0.06	(50)
Total	8.03	3.86	108

NM – Not meaningful

(*) 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 approximately US\$4.17 million from US\$3.86 million in Q1 2016 to US\$8.03 million in Q1 2017, mainly due to an increase of US\$2.12 million from production of films and an increase of US\$2.03 million from distribution of films and others.

The increase in revenue from production of films was primarily attributable to *GOLDEN SLUMBER* (produced by an indirect wholly-owned subsidiary of the Company, Zip Cinema Co., Ltd. “**ZIP Cinema**” and presented by a third party, CJ E&M) under production in Q1 2017, while in Q1 2016, the Group produced *MASTER* (produced by ZIP Cinema and presented by a third party, CJ E&M). Higher revenue from the production of films was recorded in Q1 2017 as the percentage-of-completion of *GOLDEN SLUMBER* (on the basis of costs incurred relative to total expected costs) in Q1 2017 was higher as compared to that for *MASTER* in Q1 2016.

The increase in revenue from distribution of films and others was mainly due to the recognition of the share of profit for acting as the producer for *MASTER* of US\$3.45 million and return on investment as a passive investor for *MASTER* of US\$0.03 million in Q1 2017. This was partially offset by a decrease of US\$1.45 million in distribution of motion films mainly related to the disposal of Opus Pictures Limited Liability Company (“**Opus Pictures**”).

In Q1 2017, the Group generated a total of US\$3.84 million from film production of which US\$3.14 million was from *GOLDEN SLUMBER*, which is currently expected to be released in the second half of the financial year ending 31 December 2017 (“**FY2017**”) and US\$0.70 million from *MASTER*. The Group also generated distribution revenue of US\$4.05 million mainly due to share of profit for acting as the producer of *MASTER* of US\$3.45 million, return of investment as a passive investor for *MASTER* of US\$0.03 million and US\$0.57 million from the distribution of several motion films in Q1 2017. In addition, US\$0.14 million of revenue was generated from the restaurant sales from our café lounge business (US\$0.11 million) and photography services (US\$0.03 million).

In Q1 2016, the Group generated US\$1.72 million from film production of *MASTER*. The Group also distributed several motion films including *THE PRIESTS*, *CHASING*, *MUSUDAN* and others, which generated distribution revenue of US\$2.02 million. In addition, US\$0.12 million of revenue was generated from restaurant sales from our café lounge business (US\$0.06 million) and photography services (US\$0.06 million).

Cost of sales

The breakdown of cost of sales in Q1 2017 and Q1 2016 is as follows:

	Group		Change %
	Q1 2017 (Unaudited) US\$ million	Q1 2016 (Unaudited) US\$ million	
Cost of sales			
Production of films	3.68	1.65	123
Distribution of films and others (*)	0.47	2.91	(84)
Restaurant sales and café lounge business	0.02	0.02	-
Total	4.17	4.58	(9)

(*) 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 decreased by US\$0.41 million or 9% year-on-year (“YoY”) from US\$4.58 million in Q1 2016 to US\$4.17 million in Q1 2017, mainly attributable to a decrease of US\$2.44 million from distribution of films and others due to fewer motion films distributed by the Group in Q1 2017. This was partially offset by an increase in production costs of US\$2.03 million mainly due to higher production costs incurred in Q1 2017 for *GOLDEN SLUMBER* as compared to the production costs that were incurred in Q1 2016 for *MASTER*, based on the percentage-of-completion method.

In Q1 2017, cost of sales incurred from production of *GOLDEN SLUMBER* and *MASTER* was US\$2.95 million and US\$0.73 million respectively. Cost of sales of US\$0.47 million was attributable to the distribution of several motion films by the Group’s majority-owned subsidiary Novus Mediacorp Co., Ltd. (“Novus”). In addition, US\$0.02 million of cost of sales was incurred from the restaurant sales and café lounge business.

In Q1 2016, cost of sales incurred from production of *MASTER* was US\$1.65 million. Cost of sales of US\$2.91 million was attributable to the distribution of several films including *THE PRIESTS*, *CHASING*, *MUSUDAN* and others. In addition, US\$0.02 million of cost of sales was incurred from the restaurant sales and café lounge business.

Gross profit/(loss) margin

The Group recorded a gross profit of US\$3.86 million in Q1 2017 as compared to a gross loss of US\$0.73 million in Q1 2016. The reversal from a gross loss margin of 19% recorded in Q1 2016 to a gross profit margin of 48% in Q1 2017 was mainly due to recognition of share of profit for acting as the producer for *MASTER* of US\$3.45 million and return of investment as a passive investor for *MASTER* of US\$0.03 million in Q1 2017. The Group had also disposed of the loss-making asset, Opus Pictures, on 12 August 2016 and its 1Q 2017 financial performance was not affected by Opus Pictures (1Q 2016: gross loss of US\$0.89 million from distribution of films was primarily attributable to Opus Pictures).

Other income

Other income increased by US\$1.11 million or 54% YoY from US\$2.05 million in Q1 2016 to US\$3.16 million in Q1 2017. The increase was mainly due to the gain on partial disposal of associated company, Spackman Media Group Limited ("**SMGL**"), of US\$2.99 million (Q1 2016: nil) as part of the purchase consideration of the acquisition of Frame Pictures Co., Ltd. ("**Frame Pictures**"), and was partially offset by a decrease in loss on film borne by external investors of US\$1.96 million.

The gain of US\$2.99 million on partial disposal of 497,250 SMGL shares arising from the acquisition of Frame Pictures was calculated based on the sales proceeds of US\$3.36 million value in the disposed SMGL shares, subtracted by the carrying value of the disposed SMGL shares of US\$0.37 million via equity method.

Selling expenses

Selling expenses increased by US\$0.04 million or 68% YoY from US\$0.07 million in Q1 2016 to US\$0.11 million in Q1 2017 mainly due to an increase in the travel expenses of US\$0.02 million.

General and administrative expenses

General and administrative expenses increased by US\$0.14 million or 13% YoY from US\$1.08 million in Q1 2016 to US\$1.22 million in Q1 2017. The increase was mainly due to an increase in loss on disposal of investment of US\$0.19 million and no reversal of allowance of doubtful debts incurred in Q1 2017 (Q1 2016: US\$0.25 million), and partially offset by a YoY decrease in personnel expenses of US\$0.22 million.

The increase in loss on disposal of investment was mainly due to loss on disposal from film investment fund of US\$0.19 million. The reversal of allowance of doubtful debts in Q1 2016 of US\$0.25 million was due to reversal of bad debt provision provided to receivables which were classified as asset held for sale pursuant to the Restructuring (as defined in the Discontinued operation section).

The decrease in personnel expenses was mainly due to a decrease in number of employees after the disposal of Opus Pictures and UAA Korea.

Finance costs

Finance costs decreased by US\$0.03 million or 72% YoY from US\$0.04 million in Q1 2016 to US\$0.01 million in Q1 2017 mainly due to a decrease in bank loans pursuant to disposal of Opus Pictures.

Other expenses

Other expenses decreased by US\$0.65 million or 96% YoY from US\$0.68 million in Q1 2016 to US\$0.03 million in Q1 2017, mainly because there was an absence of expenses incurred in relation to the profit on film distributable to external investors in Q1 2017 (Q1 2016: US\$0.67 million of the profit on film distributable to external investors for *THE PREISTS*).

Share of results of associate

The share of results of associate of a loss of US\$0.17 million in Q1 2017 (Q1 2016: US\$0.21 million) was attributable to the loss from the Company's 26.17% owned associated company, Spackman Media Group Limited ("**SMGL**").

In Q1 2017, the share of results of associate of a loss of US\$0.17 million was mainly attributable to:

- i) Losses of US\$0.11 million incurred from SMGL's talent management business through MS Team Entertainment Co., Ltd., Kook Entertainment Co., Ltd, SBD Entertainment Inc., UL Entertainment Co., Ltd., UAA & Co Inc. and Fiftyone K Inc.; and
- ii) Losses of US\$0.06 million incurred by SMGL and Spackman Media Group Pte. Ltd. ("**SMGPL**") were mainly attributable to general and administrative expenses incurred.

Q1 2016 recorded a loss of US\$0.21 million which was mainly due to loss from the Company's then 45.8% owned associate company, SMGPL, due to losses from its variety show production business and general and administrative expenses.

Tax expense

The Group recorded tax expense of US\$0.77 million in Q1 2017 (Q1 2016: tax expenses of US\$0.08 million) mainly due to taxable earnings generated by ZIP Cinema in Q1 2017 of US\$3.39 million which is subjected to a tax rate of 22%. Taxable earnings generated by ZIP Cinema in Q1 2017 was mainly attributable to the share of profit for acting as the producer for *MASTER*.

Profit/(loss) before tax

As a result of the above, the Group recorded a profit before tax of US\$5.47 million in Q1 2017 as compared to a loss before tax of US\$0.77 million in Q1 2016.

Discontinued operation

On 19 April 2016, Spackman Entertainment Group (HK) Limited, a direct wholly-owned subsidiary of the Company and Spackman Equities Limited, an indirect wholly-owned subsidiary of the Company entered into a conditional share sale and purchase agreement with Tae Hun Lee (the “**Purchaser**”), the former Executive Director and Chief Executive Officer of the Group for the sale of the Group’s 100% equity interest in Opus Pictures and 51.50% equity interest in UAA Korea to the Purchaser (the “**Restructuring**”).

Based on the Restructuring, the statement of profit or loss and other comprehensive income of UAA Korea was classified as a single amount, loss from discontinued operation, of US\$0.04 million in Q1 2016.

The Restructuring has been completed the same day after receiving shareholder’s approval at the extraordinary general meeting of the Company held on 12 August 2016.

Consolidated Statement of Financial Position

Non-current assets

The Group's non-current assets amounted to US\$16.83 million as at 31 March 2017, an increase of US\$8.90 million as compared to US\$7.93 million as at 31 December 2016, mainly due to:

- i) Increase in investment in associated company of US\$2.73 million mainly due to additional acquisition of 1 million shares in SMGL at a consideration of US\$3.04 million, partially offset by the subsequent disposal of 497,250 shares in SMGL of US\$0.38 million as part of the purchase consideration for the acquisition of Frame Pictures in Q1 2017 and partially offset by the loss from SMGL of US\$0.05 million in Q1 2017. In addition, ZIP Cinema invested in Project G Inc. ("**Project G**") of US\$0.12 million, equivalent to 32.5% shareholding interest in January 2017. Project G is a film development house incorporated in Republic of Korea;
- ii) Increase in property, plant and equipment of US\$2.89 million mainly attributable to Frame Pictures, which contributed US\$2.66 million; and
- iii) Increase in intangible assets of US\$3.23 million mainly attributable to goodwill of US\$2.13 million and intangible assets of US\$1.00 million arising from the acquisition of Frame Pictures.

Current assets

The Group's current assets amounted to US\$21.76 million as at 31 March 2017, an increase of US\$7.68 million as compared to US\$14.08 million as at 31 December 2016, mainly due to:

- i) Increase in investments of US\$0.31 million mainly attributable to investment of US\$0.36 million for 123,026 newly issued ordinary shares of a skincare brand in Singapore, Skin Inc Global Pte. Ltd. ("**Skin Inc**");
- ii) Increase in trade and other receivables of US\$4.30 million, mainly due to uncollected trade receivables related to *MASTER* of US\$3.59 million and the acquisition of Frame Pictures which contributed additional US\$0.98 million to trade and other receivables; and
- iii) Increase in cash and cash equivalents of US\$3.06 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\$3.50 million as at 31 March 2017, an increase of US\$1.43 million as compared to US\$2.07 million as at 31 December 2016, mainly due to:

- i) Increase in finance lease liabilities of US\$0.56 million solely due to the acquisition of Frame Pictures; and
- ii) Increase in deferred tax liabilities of US\$0.76 million mainly contributed by ZIP Cinema of US\$0.45 million due to recognition of share of profit as a producer of *MASTER* in Q1 2017. In addition, the acquisition of Frame Pictures has contributed US\$0.33 million.

Current liabilities

The Group's current liabilities amounted to US\$9.19 million as at 31 March 2017, an increase of US\$2.46 million as compared to US\$6.73 million as at 31 December 2016, mainly due to:

- i) An increase in trade and other payables of US\$1.42 million mainly due to the acquisition of Frame Pictures which contributed US\$1.13 million;
- ii) An increase in finance lease liabilities of US\$0.49 million due to the acquisition of Frame Pictures;
- iii) An increase in tax payables of US\$0.26 million mainly due to increase in chargeable income from ZIP Cinema (US\$0.20 million) and the acquisition of Frame Pictures which contributed US\$0.04 million; and
- iv) An increase in deferred revenue of US\$0.13 million arising mainly from minimum guarantees and advance receipts received by Novus for the ancillary distribution rights to several films.

Consolidated Statement of Cash Flow

As at 31 March 2017, the Group had cash and cash equivalents amounting to US\$8.99 million as compared to cash and cash equivalents amounting to US\$7.78 million as at 31 March 2016.

The significant cash movements during Q1 2017 as compared to Q1 2016 can be summarized as follows:

Net cash used in operating activities for Q1 2017 amounted to US\$1.22 million as compared to net cash used in operating activities of US\$0.87 million for Q1 2016. The cash flow used in operating activities for Q1 2017 was due to net working capital outflows of US\$4.15 million mainly resulting from an increase in receivables of US\$3.05 million, a decrease in payables of US\$0.85 million and an increase in film production inventories of US\$0.14 million, offset by the operating profit before working capital changes of US\$2.93 million.

Cash flow generated from investing activities for Q1 2017 was US\$0.01 million as compared to cash flow generated from investing activities of US\$1.18 million for Q1 2016. The cash flow generated from investing activities for Q1 2017 was mainly due to collection of short term loans of US\$0.39 million and proceeds from disposal of investment in project of US\$0.17 million, partially offset by the increase in investment in securities of US\$0.36 million, acquisition of an associated company of US\$0.12 million, an increase in investment in project of US\$0.04 million and purchases of property, plant and equipment of US\$0.02 million.

Cash flow generated from financing activities was US\$3.92 million for Q1 2017 as compared to cash flow generated from financing activities of US\$1.40 million for Q1 2016. The cash from financing activities in Q1 2017 was mainly due to the placement of 38,100,000 new ordinary shares of the Company to raise net proceeds of S\$5.94 million (approximately US\$4.26 million), partially offset by the repayment of loans of US\$0.34 million.

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

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

10. Segment information

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

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

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

	Distribution of films		Production of films		Others		Total	
	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016
	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million
Revenue	4.05	2.02	3.84	1.72	0.14	0.12	8.03	3.86
Cost of sales	(0.47)	(2.91)	(3.68)	(1.65)	(0.02)	(0.02)	(4.17)	(4.58)
Loss on film borne by external investor	-	1.96	-	-	-	-	-	1.96
Profit on film distribution to investors	-	(0.67)	-	-	-	-	-	(0.67)
Reversal of loss on film borne by external investor	-	(0.01)	-	-	-	-	-	(0.01)
Impairment loss on film production inventories	(0.02)	-	-	-	-	-	(0.02)	-
Gain on disposal of associated company	-	-	-	-	2.99	-	2.99	-
Segment gross results	3.56	0.39	0.16	0.07	3.11	0.10	6.83	0.56
Selling and general & administrative expenses	(0.67)	(0.59)	(0.62)	(0.50)	(0.02)	(0.03)	(1.31)	(1.12)
Segment net results	2.89	(0.20)	(0.46)	(0.43)	3.09	0.07	5.52	(0.56)
Unallocated other income:								
Other income							0.17	0.08
Unallocated expenses:								
Share of results of associate							(0.18)	(0.21)
Depreciation and amortization							(0.04)	(0.03)
Finance costs							(0.01)	(0.04)
Profit/(loss) before tax							5.46	(0.77)
Tax expense							(0.77)	(0.07)
Gain/(loss) for the period							4.69	(0.84)
Segment assets	0.43	0.98	6.61	0.84	0.16	0.06	7.20	1.88
Unallocated assets							31.39	38.04
Total assets							38.59	39.92
Segment liabilities	0.30	2.78	4.54	2.36	0.11	0.16	4.95	5.30
Unallocated liabilities							7.74	18.69
Total liabilities							12.69	23.99

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.

For the first quarter of 2017, the South Korean film market saw an 8.3% increase in gross box office revenue to KRW 422.5 million (USD 373.9 million)* and a 5.7% year-on-year increase in admissions to 52.3 million. According to the Korean Film Council, admissions for local films went up by 4.1% to 26.0 million in the first quarter of this year compared to the previous year.

The Company intends to use the net proceeds of S\$5.9 million from the Placement which was completed on 20 March 2017 for potential business investments and acquisitions that will deliver sustainable value to its shareholders as well as for its working capital requirements.

Following the recent acquisition of 100.0% equity interest in Frame Pictures, a leader in the movie/drama equipment leasing business in Korea, the Group will continue to pursue similar strategic acquisitions to develop a more diversified and consistent revenue stream.

The Group's upcoming manhunt thriller movie, *GOLDEN SLUMBER*, starring Gang Dong-won and Han Hyo-joo, commenced filming and is tentatively scheduled to be released towards the end of FY2017. *GOLDEN SLUMBER*, is a manhunt thriller directed by Nakamura Yoshihiro and based on the Japanese novel by Isaka Kotaro. The film is produced by ZIP Cinema and distributed by CJ Entertainment. Gang Dong-won has previously collaborated with ZIP Cinema in several movie projects including *MASTER* (2016) and *THE PRIESTS* (2015). Han Hyo-joo has previously starred in one of ZIP Cinema's hit films, *COLD EYES* (2013). The estimated total production budget (including prints and advertising costs) for *GOLDEN SLUMBER* is set approximately at KRW 10 billion (US\$8.7 million).

Looking ahead, the Group will continue to seek opportunities to collaborate with SMGL in creating and participating in top-tier content projects and make strategic investments in growth businesses that have the potential to collaborate with SMGL's artists and the Group's content projects.

The Company and its 26.17% associated company, SMGL, have been exploring collaboration with and discussing potential equity investment from certain potential strategic investors regarding transactions that may or may not involve the sale of a portion of the shares of SMGL owned by the Company. The Group will keep shareholders updated (by way of announcements on SGXNET) of material developments in any such discussions, as and when appropriate.

(Source: Korean Film Council, <http://www.kobis.or.kr/>, April 2017)

*Exchange rate of 1 USD: 1139 KRW

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 Q1 2017.

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 Q1 2017.

15. Use of Placement proceeds

The Company refers to the net proceeds amounting to S\$5.94 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 utilised (S\$'000)	Balance (S\$'000)
<u>70% of net proceeds to be used for:</u> (A) New business investments and acquisitions⁽¹⁾	4,156	(1,615)	2,541
<u>30% of net proceeds to be used for:</u> (B) General working capital⁽²⁾	1,781	(433)	1,348
Total	5,937	(2,048)	3,889

Notes:

(1) Utilised for:

- Acquisition of Frame Pictures. (Approximately S\$1.12 million was to settle the cash consideration portion of KRW 900 million)
- Acquisition of Skin Inc. (Cash consideration of S\$0.50 million)

(2) Utilised for:

- Audit and professional fees (S\$240,356);
- Personnel expenses (S\$86,521); and
- Others (S\$106,003).

The above utilisation of the net proceeds is in accordance with the intended utilisation as announced previously.

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 financial period ended 31 March 2017 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Charles Choi Spackman

Executive Chairman

Date: 15 May 2017

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance 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.

The contact person for the Sponsor is Ms. Gillian Goh, Director, Head of Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.