

# spackmanentertainmentgroup

(Company Registration No.:201401201N)

## Unaudited Financial Statement and Dividend Announcement For the Three Months and the Six Months Ended 30 June 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<br>Three Months Ended             |   |             | Group<br>Six Months Ended               |   |             |
|---|---|---|-------------|---|---|-------------|
|   | 30 June 2017<br>(Unaudited)<br>US\$'000 | 30 June 2016<br>(Unaudited)<br>US\$'000 | Change<br>% | 30 June 2017<br>(Unaudited)<br>US\$'000 | 30 June 2016<br>(Unaudited)<br>US\$'000 | Change<br>% |
| <b>Revenue</b>  | 2,437                                   | 3,734                                   | (35)        | 10,465                                  | 7,589                                   | 38          |
| Cost of sales   | (1,234)                                 | (4,306)                                 | (71)        | (5,111)                                 | (8,888)                                 | (42)        |
| Gross profit/(loss)   | 1,203                                   | (572)                                   | NM          | 5,354                                   | (1,299)                                 | NM          |
| Other income  | 121                                     | 202                                     | (40)        | 3,276                                   | 2,251                                   | 46          |
| Selling expenses  | (153)                                   | (126)                                   | 21          | (267)                                   | (194)                                   | 38          |
| General and administrative expenses <sup>(1)</sup>                          | (1,497)                                 | (1,766)                                 | (15)        | (2,506)                                 | (2,783)                                 | (10)        |
| Finance costs   | (29)                                    | (42)                                    | (31)        | (41)                                    | (85)                                    | (52)        |
| Other expenses <sup>(1)</sup>   | (106)                                   | (180)                                   | (41)        | (637)                                   | (927)                                   | (31)        |
| Share of results of an associate  | 210                                     | (159)                                   | NM          | 36                                      | (373)                                   | NM          |
| <b>Profit/(Loss) before tax</b>   | (251)                                   | (2,643)                                 | (91)        | 5,215                                   | (3,410)                                 | NM          |
| Tax (expense)/credit  | (11)                                    | 144                                     | NM          | (785)                                   | 69                                      | NM          |
| <b>Profit/(Loss) from continuing operations</b>                             | (262)                                   | (2,499)                                 | (90)        | 4,430                                   | (3,341)                                 | NM          |
| Loss from discontinued operation, net of tax                                | -                                       | (124)                                   | NM          | -                                       | (166)                                   | NM          |
| <b>Profit/(Loss) for the year</b>   | (262)                                   | (2,623)                                 | (90)        | 4,430                                   | (3,507)                                 | NM          |
| <b>Other comprehensive income/(loss)</b>                                    |   |   |             |   |   |             |
| <i>Items that are or may be reclassified subsequently to profit or loss</i> |   |   |             |   |   |             |
| Share of other comprehensive income/(loss) of associated company            | (41)                                    | 36                                      | NM          | 79                                      | (134)                                   | NM          |
| Currency translation difference arising from consolidation                  | (275)                                   | (81)                                    | NM          | 299                                     | 56                                      | NM          |
| <b>Total comprehensive income/(loss) for the period</b>                     | (578)                                   | (2,668)                                 | (78)        | 4,808                                   | (3,585)                                 | NM          |

|  | Group<br>Three Months Ended |                         |             | Group<br>Six Months Ended |                         |             |
|--|-----------------------------|-------------------------|-------------|---------------------------|-------------------------|-------------|
|  | 30 June 2017                | 30 June 2016            | Change<br>% | 30 June 2017              | 30 June 2016            | Change<br>% |
|  | (Unaudited)<br>US\$'000     | (Unaudited)<br>US\$'000 |             | (Unaudited)<br>US\$'000   | (Unaudited)<br>US\$'000 |             |
| <b>Profit/(Loss) for the period attributable to:</b>                     |                             |                         |             |                           |                         |             |
| Equity holders of the Company  | (212)                       | (2,490)                 | (91)        | 4,581                     | (3,455)                 | NM          |
| Non-controlling interests  | (50)                        | (133)                   | (62)        | (151)                     | (52)                    | NM          |
|  | (262)                       | (2,623)                 | (90)        | 4,430                     | (3,507)                 | NM          |
| <b>Total comprehensive Profit/(loss) for the period attributable to:</b> |                             |                         |             |                           |                         |             |
| Equity holders of the Company  | (517)                       | (2,517)                 | (79)        | 4,920                     | (3,542)                 | NM          |
| Non-controlling interests  | (61)                        | (151)                   | (60)        | (112)                     | (43)                    | NM          |
|  | (578)                       | (2,668)                 | (78)        | 4,808                     | (3,585)                 | NM          |

(1) Certain expenses were incorporated within general and administrative expenses in three months and six months ended 30 June 2017 and 30 June 2016. These expenses have been reclassified to other expenses, to more accurately reflect the underlying nature of those expenses. Such reclassification has no impact on the bottom line for the abovementioned periods of the Group.

NM – Not meaningful

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

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

|  | Three Months Ended      |                         |        | Six Months Ended        |                         |        |
|--|-------------------------|-------------------------|--------|-------------------------|-------------------------|--------|
|  | 30 June 2017            | 30 June 2016            | Change | 30 June 2017            | 30 June 2016            | Change |
|  | (Unaudited)<br>US\$'000 | (Unaudited)<br>US\$'000 |        | (Unaudited)<br>US\$'000 | (Unaudited)<br>US\$'000 |        |
| Personnel expenses                                       | 594                     | 863                     | (31)   | 1,126                   | 1,616                   | (30)   |
| Rent expense   | 300                     | 246                     | 22     | 512                     | 452                     | 13     |
| Travel expense   | 38                      | 64                      | (41)   | 82                      | 85                      | (4)    |
| Entertainment expense                                    | 76                      | 36                      | 111    | 116                     | 56                      | 107    |
| Service expenses   | 239                     | 205                     | 17     | 424                     | 446                     | (5)    |
| Impairment loss on film production inventories           | 25                      | -                       | NM     | 50                      | -                       | NM     |
| Depreciation and amortization                            | 268                     | 36                      | NM     | 311                     | 66                      | NM     |
| Reversal of allowance of doubtful receivables            | -                       | 187                     | NM     | -                       | (67)                    | NM     |
| Allowance for doubtful receivables                       | -                       | 43                      | NM     | -                       | 43                      | NM     |
| (Loss)/profit on film distributable to external investor | -                       | (67)                    | NM     | -                       | 603                     | NM     |
| (Loss)/gain on film borne by external investors          | -                       | 240                     | NM     | -                       | (1,723)                 | NM     |
| Reversal of loss on film borne by external investors     | 62                      | 14                      | NM     | 353                     | 25                      | NM     |
| Gain on disposal of associate                            | -                       | -                       | NM     | (2,985)                 | -                       | NM     |
| Interest expense   | 29                      | 42                      | (31)   | 41                      | 85                      | (52)   |
| Interest income  | (13)                    | (15)                    | (13)   | (22)                    | (39)                    | (44)   |
| Foreign exchange gain, net                               | (25)                    | (80)                    | (69)   | (134)                   | (39)                    | NM     |

NM – Not meaningful

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

|   | Three Months Ended      |                         |        | Six Months Ended        |                         |        |
|---|-------------------------|-------------------------|--------|-------------------------|-------------------------|--------|
|   | 30 June 2017            | 30 June 2016            | Change | 30 June 2017            | 30 June 2016            | Change |
|   | (Unaudited)<br>US\$'000 | (Unaudited)<br>US\$'000 |        | (Unaudited)<br>US\$'000 | (Unaudited)<br>US\$'000 |        |
| Personnel expenses                            | -                       | 44                      | NM     | -                       | 143                     | NM     |
| Rent expense                                  | -                       | 1                       | NM     | -                       | 9                       | NM     |
| Service expenses                              | -                       | 32                      | NM     | -                       | 65                      | NM     |
| Depreciation and amortization                 | -                       | -                       | NM     | -                       | 7                       | NM     |
| Reversal of allowance of doubtful receivables | -                       | (254)                   | NM     | -                       | -                       | NM     |
| Interest income                               | -                       | (2)                     | NM     | -                       | (3)                     | NM     |
| Foreign exchange loss, net                    | -                       | 3                       | NM     | -                       | 3                       | 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<br>2017<br>(Unaudited)<br>US\$'000 | 31 December<br>2016<br>(Audited)<br>US\$'000 | 30 June<br>2017<br>(Unaudited)<br>US\$'000 | 31 December<br>2016<br>(Audited)<br>US\$'000 |
| <b>Assets</b>   |  |  |  |  |
| Investment in subsidiaries                                  | -  | -  | 20,413                                     | 16,245                                       |
| Investment in associated company                            | 6,329                                      | 3,433  | 6,012                                      | 3,298  |
| Property, plant and equipment                               | 5,892                                      | 3,080  | 13   | 12   |
| Intangible assets   | 4,325                                      | 937  | -  | -  |
| Film production inventories                                 | 738  | 355  | -  | -  |
| Long-term trade and other receivables                       | 308  | -  | -  | -  |
| Deferred tax assets   | 85   | 123  | -  | -  |
| <b>Non-current assets</b>                                   | <b>17,677</b>                              | <b>7,928</b>                                 | <b>26,438</b>                              | <b>19,555</b>                                |
| Film production inventories                                 | -  | 69   | -  | -  |
| Inventories   | 10   | 5  | -  | -  |
| Investments   | 5,738                                      | 4,457  | 357  | -  |
| Loan to subsidiaries  | -  | -  | 196  | 429  |
| Trade and other receivables                                 | 6,341                                      | 3,615  | 685  | 399  |
| Cash and cash equivalents                                   | 9,295                                      | 5,936  | 2,729                                      | 470  |
| <b>Current assets</b>                                       | <b>21,384</b>                              | <b>14,082</b>                                | <b>3,967</b>                               | <b>1,298</b>                                 |
| <b>Total assets</b>   | <b>39,061</b>                              | <b>22,010</b>                                | <b>30,405</b>                              | <b>20,853</b>                                |
| <b>Liabilities</b>  |  |  |  |  |
| Borrowings  | 2,282                                      | 1,903  | -  | -  |
| Long-term finance lease liabilities                         | 665  | -  | -  | -  |
| Other non-current liabilities                               | 65   | 136  | -  | -  |
| Deferred tax liabilities                                    | 206  | 35   | -  | -  |
| <b>Non-current liabilities</b>                              | <b>3,218</b>                               | <b>2,074</b>                                 | <b>-</b>                                   | <b>-</b>                                     |
| Trade and other payables                                    | 4,032                                      | 3,013  | -  | 181  |
| Film obligation and production loans                        | 2,512                                      | 912  | -  | -  |
| Deferred revenue  | 2,669                                      | 2,649  | -  | -  |
| Finance lease liabilities                                   | 516  | -  | -  | -  |
| Tax payables  | 799  | 153  | -  | -  |
| <b>Current liabilities</b>                                  | <b>10,528</b>                              | <b>6,727</b>                                 | <b>-</b>                                   | <b>181</b>                                   |
| <b>Total liabilities</b>                                    | <b>13,746</b>                              | <b>8,801</b>                                 | <b>-</b>                                   | <b>181</b>                                   |
| <b>Net assets</b>   | <b>25,315</b>                              | <b>13,209</b>                                | <b>30,405</b>                              | <b>20,672</b>                                |
| <b>Share capital and reserves</b>                           |  |  |  |  |
| Share capital   | 32,313                                     | 25,019                                       | 32,313                                     | 25,019                                       |
| Other reserves  | (3,042)                                    | (3,386)                                      | -  | -  |
| Accumulated losses  | (4,491)                                    | (9,072)                                      | (1,908)                                    | (4,347)                                      |
| Equity attributable to equity holders of the Company, total | 24,780                                     | 12,561                                       | 30,405                                     | 20,672                                       |
| Non-controlling interests                                   | 535  | 648  | -  | -  |
| <b>Total equity</b>   | <b>25,315</b>                              | <b>13,209</b>                                | <b>30,405</b>                              | <b>20,672</b>                                |

**1(b)(ii) Aggregate amount of group's borrowings and debt securities****Amount repayable in one year or less, or on demand**

| <b>As at 30 June 2017<br/>(Unaudited)</b> |                       | <b>As at 31 December 2016<br/>(Audited)</b> |                       |
|---|-----------------------|---|-----------------------|
| Secured<br>US\$'000                       | Unsecured<br>US\$'000 | Secured<br>US\$'000                         | Unsecured<br>US\$'000 |
| -   | -                     | -   | -                     |

**Amount repayable after one year**

| <b>As at 30 June 2017<br/>(Unaudited)</b> |                       | <b>As at 31 December 2016<br/>(Audited)</b> |                       |
|---|-----------------------|---|-----------------------|
| Secured<br>US\$'000                       | Unsecured<br>US\$'000 | Secured<br>US\$'000                         | Unsecured<br>US\$'000 |
| 2,282                                     | -                     | 1,903                                       | -                     |

**Details of any collateral**

The Group's long-term borrowing of US\$2,018,252 is secured over land and a building with carrying amounts of US\$3,009,913 (31 December 2016: US\$2,870,471) and the remaining long-term borrowings of US\$263,250 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                                   |   |   |   |
|---|---|---|---|---|
|   | 3 Months Ended                          |   | 6 Months Ended                          |   |
|   | 30 June 2017<br>(Unaudited)<br>US\$'000 | 30 June 2016<br>(Unaudited)<br>US\$'000 | 30 June 2017<br>(Unaudited)<br>US\$'000 | 30 June 2016<br>(Unaudited)<br>US\$'000 |
| <b>Operating activities</b>                                     |   |   |   |   |
| Profit/(Loss) before income tax from continuing operations      | (251)                                   | (2,643)                                 | 5,215                                   | (3,410)                                 |
| Loss before income tax from discontinued operation              | -                                       | (124)                                   | -                                       | (166)                                   |
| Adjustments for:  |   |   |   |   |
| Depreciation and amortization                                   | 268                                     | 36                                      | 311                                     | 73                                      |
| Interest income   | (13)                                    | (17)                                    | (22)                                    | (42)                                    |
| Interest expense  | 29                                      | 42                                      | 41                                      | 85                                      |
| Reversal of allowance of doubtful receivables                   | -                                       | (67)                                    | -                                       | (67)                                    |
| Allowance for doubtful receivables                              | -                                       | 43                                      | -                                       | 43                                      |
| Impairment loss on film production inventories                  | 25                                      | 28                                      | 50                                      | 59                                      |
| Impairment loss on investment in theatrical film projects       | -                                       | 469                                     | -                                       | 469                                     |
| Share of results of associated company                          | (210)                                   | 159                                     | (36)                                    | 373                                     |
| Gain on disposal of associate                                   | -                                       | -                                       | (2,985)                                 | -                                       |
| Gain on short term investments                                  | -                                       | (6)                                     | -                                       | (27)                                    |
| Gain on valuation of financial instrument                       | (25)                                    | -                                       | (9)                                     | -                                       |
| Loss on disposition of investments                              | 3                                       | -                                       | 187                                     | -                                       |
| Gain/(Loss) on film borne by external investors                 | -                                       | 240                                     | -                                       | (1,723)                                 |
| Reversal of loss on film borne by external investors            | 62                                      | 14                                      | 353                                     | 25                                      |
| Loss on disposal of property, plant and equipment               | -                                       | 1                                       | -                                       | 1                                       |
| <b>Operating profit/(loss) before working capital changes</b>   | <b>(112)</b>                            | <b>(1,825)</b>                          | <b>3,105</b>                            | <b>(4,307)</b>                          |
| <b>Working capital changes</b>                                  |   |   |   |   |
| Inventories   | 3                                       | 1                                       | (5)                                     | 1                                       |
| Film production inventories                                     | (196)                                   | 836                                     | (338)                                   | (1,934)                                 |
| Receivables   | 2,909                                   | 2,196                                   | (137)                                   | 22,787                                  |
| Payables  | (1,128)                                 | (4,076)                                 | (2,266)                                 | (20,159)                                |
| Currency translation adjustments                                | 10                                      | -                                       | (97)                                    | -                                       |
| Cash generated from / (used in) operations                      | 1,486                                   | (2,868)                                 | 262                                     | (3,612)                                 |
| Interest received   | 3                                       | 28                                      | 9                                       | 61                                      |
| Income tax paid   | (130)                                   | (87)                                    | (131)                                   | (296)                                   |
| <b>Net cash generated from / (used in) operating activities</b> | <b>1,359</b>                            | <b>(2,927)</b>                          | <b>140</b>                              | <b>(3,847)</b>                          |
| <b>Investing activities</b>                                     |   |   |   |   |
| Short term loans granted  | (1,053)                                 | (488)                                   | (1,061)                                 | (540)                                   |
| Collection of short term loans                                  | 61                                      | 208                                     | 149                                     | 258                                     |
| Purchases of property, plant and equipment                      | (308)                                   | (92)                                    | (327)                                   | (140)                                   |
| Proceeds from disposal of property, plant and equipment         | -                                       | 68                                      | -                                       | 68                                      |
| Purchases of intangible assets                                  | -                                       | (5)                                     | -                                       | (5)                                     |
| Acquisition of associated company                               | -                                       | -                                       | (114)                                   | -                                       |
| Purchases of short term investments                             | -                                       | (850)                                   | -                                       | (882)                                   |
| Proceeds from disposal of short term investments                | -                                       | 80                                      | -                                       | 105                                     |
| Purchases of long term investments                              | (13)                                    | (4)                                     | (26)                                    | (16)                                    |
| Proceeds from disposal of long term investments                 | -                                       | 59                                      | -                                       | 59                                      |

|   | Group          |                |                |                |
|---|----------------|----------------|----------------|----------------|
|   | 3 Months Ended |                | 6 Months Ended |                |
|   | 30 June 2017   | 30 June 2016   | 30 June 2017   | 30 June 2016   |
|   | (Unaudited)    | (Unaudited)    | (Unaudited)    | (Unaudited)    |
|   | US\$'000       | US\$'000       | US\$'000       | US\$'000       |
| Acquisition of investment in securities                         | -              | (212)          | (357)          | (220)          |
| Disposal of Investment in securities                            | 211            | 240            | 211            | 1,507          |
| Acquisition of investments in project                           | (1,959)        | (2)            | (1,998)        | (102)          |
| Disposal of investments in project                              | 615            | 1              | 788            | 84             |
| Decrease of leasehold deposit                                   | -              | 182            | -              | 189            |
| Increase of leasehold deposit                                   | (84)           | (22)           | (84)           | (22)           |
| <b>Net cash (used in)/generated from investing activities</b>   | <b>(2,530)</b> | <b>(837)</b>   | <b>(2,819)</b> | <b>343</b>     |
| <b>Financing activities</b>                                     |                |                |                |                |
| Repayment of borrowings   | (104)          | (222)          | (148)          | (1,838)        |
| Proceeds from borrowings  | 244            | 919            | 266            | 940            |
| Payment of box office proceeds to investors                     | (308)          | -              | (308)          | -              |
| Proceeds from film obligations and production loans             | 1,839          | 430            | 1,839          | 3,510          |
| Repayment of film obligations and production loans              | (263)          | (1,351)        | (263)          | (1,354)        |
| Additional leasehold deposits received                          | -              | 84             | -              | 84             |
| Decrease in finance lease liabilities                           | (127)          | -              | (127)          | -              |
| Increase in finance lease liabilities                           | 280            | -              | 280            | -              |
| Issuance of shares  | -              | -              | 4,257          | -              |
| Interest paid   | (42)           | (33)           | (54)           | (113)          |
| <b>Net cash generated from/(used in) financing activities</b>   | <b>1,519</b>   | <b>(173)</b>   | <b>5,742</b>   | <b>1,229</b>   |
| <b>Net change in cash and cash equivalents</b>                  | <b>348</b>     | <b>(3,937)</b> | <b>3,063</b>   | <b>(2,275)</b> |
| Cash and cash equivalents at beginning of financial period      | 8,991          | 7,784          | 5,936          | 5,949          |
| Effect of exchange rate changes                                 | (44)           | (261)          | 246            | (88)           |
| Cash generated from the acquisition of subsidiary               | -              | -              | 50             | -              |
| <b>Cash and cash equivalents at end of the financial period</b> | <b>9,295</b>   | <b>3,586</b>   | <b>9,295</b>   | <b>3,586</b>   |
| <b>Cash and cash equivalents comprise:</b>                      |                |                |                |                |
| Continuing operations:  |                |                |                |                |
| Cash and bank balances  | 7,480          | 3,455          | 7,480          | 3,455          |
| Money market funds  | 1,815          | 49             | 1,815          | 49             |
|   | <b>9,295</b>   | <b>3,504</b>   | <b>9,295</b>   | <b>3,504</b>   |
| <b>Cash and cash equivalents comprise:</b>                      |                |                |                |                |
| Discontinued operation:   |                |                |                |                |
| Cash and bank balances  | -              | 82             | -              | 82             |
| Money market funds  | -              | -              | -              | -              |
|   | <b>-</b>       | <b>82</b>      | <b>-</b>       | <b>82</b>      |

**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                                     | Other reserve | Accumulated losses | Reserve of disposal group classified as held for sale | Total    |          |                           |              |
|  | US\$'000  | US\$'000      | US\$'000           | US\$'000  | US\$'000 | US\$'000 |                           |              |
| <b>Balance as at 1 April 2017</b>                                  | 32,313  | (2,737)       | (4,279)            | -   | 25,297   | 597      | 25,894                    |              |
| Loss for the period  |   | -             | (212)              | -   | (212)    | (50)     | (262)                     |              |
| <i>Other comprehensive profit for the period</i>                   |   |               |                    |   |          |          |                           |              |
| Share of other comprehensive loss of associated company            | -   | (41)          | -                  | -   | (41)     | -        | (41)                      |              |
| Currency translation difference on consolidation                   | -   | (264)         | -                  | -   | (264)    | (12)     | (276)                     |              |
|  | -   | (305)         | (212)              | -   | (517)    | (62)     | (579)                     |              |
| <b>Balance as at 30 June 2017</b>                                  | 32,313  | (3,042)       | (4,491)            | -   | 24,780   | 535      | 25,315                    |              |
| <b>Balance as at 1 April 2016</b>                                  | 25,019  | (3,072)       | (7,613)            | (147)   | 14,187   | 1,738    | 15,925                    |              |
| Loss for the period  | -   | -             | (2,490)            | -   | (2,490)  | (133)    | (2,623)                   |              |
| <i>Other comprehensive profit for the period</i>                   |   |               |                    |   |          |          |                           |              |
| Share of other comprehensive loss of associated company            | -   | 36            | -                  | -   | 36       | -        | 36                        |              |
| Currency translation difference on consolidation                   | -   | (62)          | -                  | -   | (62)     | (18)     | (80)                      |              |
|  | -   | (26)          | (2,490)            | -   | (2,516)  | (151)    | (2,667)                   |              |
| Reserve attributable to disposal group classified as held for sale | -   | (10)          | -                  | 10  | -        | -        | -                         |              |
| <b>Balance as at 30 June 2016</b>                                  | 25,019  | (3,108)       | (10,103)           | (137)   | 11,671   | 1,587    | 13,258                    |              |



## Statement of Changes in Equity

| Company (unaudited)                   | Share capital<br>US\$'000 | Accumulated losses<br>US\$'000 | Total<br>US\$'000 |
|---------------------------------------|---------------------------|--------------------------------|-------------------|
| <b>Balance as at 1<br/>April 2017</b> | 32,313                    | (1,688)                        | 30,625            |
| Loss for the period                   | -                         | (220)                          | (220)             |
| <b>Balance as at 30<br/>June 2017</b> | <u>32,313</u>             | <u>(1,908)</u>                 | <u>30,405</u>     |
| <br>                                  |                           |                                |                   |
| <b>Balance as at 1<br/>April 2016</b> | 25,019                    | (3,997)                        | 21,022            |
| Loss for the period                   | -                         | (387)                          | (387)             |
| <b>Balance as at 30<br/>June 2016</b> | <u>25,019</u>             | <u>(4,384)</u>                 | <u>20,635</u>     |

**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**

|  | <u>Number of shares</u> | <u>Issued and paid-up<br/>share capital</u> |
|--|-------------------------|---|
| <b>Balance as at 1 April 2017 and 30 June 2017</b> | 463,031,700             | US\$32,313,140                              |

The Company did not have any outstanding options or convertibles as at 30 June 2017 and 30 June 2016.

There are also no treasury shares or subsidiary holdings as at 30 June 2017 and 30 June 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**

|                               | <u>As at<br/>30 June 2017</u> | <u>As at<br/>31 December 2016</u> |
|-------------------------------|-------------------------------|-----------------------------------|
| Total number of issued shares | 463,031,700                   | 398,770,209                       |

The Company did not have any treasury shares as at 30 June 2017 and 31 December 2016.

**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 treasury shares during and as at end of the current financial period reported on.

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

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

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

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

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

Not applicable.

**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 reporting period.

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

|   | Group<br>3 months ended |                 | Group<br>6 months ended |                 |
|---|-------------------------|-----------------|-------------------------|-----------------|
|   | 30 June<br>2017         | 30 June<br>2016 | 30 June<br>2017         | 30 June<br>2016 |
| <b>(Loss)/Earnings per share<br/> (“(LPS)/EPS”)</b>                   |                         |                 |                         |                 |
| (Loss)/Profit attributable to shareholders of the Company (US\$)      | (211,722)               | (2,489,969)     | 4,581,056               | (3,455,194)     |
| Weighted average number of ordinary shares in issue                   | 463,031,700             | 398,770,209     | 434,628,831             | 398,770,209     |
| Basic and fully diluted basis (LPS)/EPS (US cents) <sup>(1) (2)</sup> | (0.05)                  | (0.62)          | 1.05                    | (0.87)          |
| Adjusted (LPS)/EPS (US cents) <sup>(3)</sup>                          | (0.05)                  | (0.62)          | 0.99                    | (0.87)          |

Notes:

- (1) The basic and fully diluted basic (LPS)/EPS of the Group for the respective periods was calculated based on the weighted average number of ordinary shares in issue for the respective periods.
- (2) The basic and fully diluted basic (LPS)/EPS are the same as there were no potentially dilutive ordinary shares in existence during the respective periods.
- (3) For comparative purposes, the adjusted (LPS)/EPS of the Group for period ended 30 June 2017 was calculated based on 463,031,700 ordinary shares in issue.

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

|   | Group           |                     | Company         |                     |
|---|-----------------|---------------------|-----------------|---------------------|
|   | 30 June<br>2017 | 31 December<br>2016 | 30 June<br>2017 | 31 December<br>2016 |
| Net asset value (US\$)                    | 25,315,411      | 13,208,621          | 30,405,192      | 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\$) | 0.055           | 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

### Revenue

#### Six months ended 30 June 2017 ("6M 2017") vs Six months ended 30 June 2016 ("6M 2016")

The breakdown of revenue in 6M 2017 and 6M 2016 is as follows:

| Source of revenue                         | Group                                  |  |
|---|--|--|
|   | 6M 2017<br>(Unaudited)<br>US\$ million | 6M 2016<br>(Unaudited)<br>US\$ million |
| Production of films                       | 5.03                                   | 4.76                                   |
| Distribution of films and others (*)      | 4.74                                   | 2.53                                   |
| Leasing of equipment                      | 0.33                                   | -                                      |
| Restaurant sales and café lounge business | 0.30                                   | 0.21                                   |
| Photography                               | 0.07                                   | 0.08                                   |
| Production of documentaries               | -                                      | 0.01                                   |
| <b>Total</b>                              | <b>10.47</b>                           | <b>7.59</b>                            |

(\*) 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\$2.88 million or 38% year-on-year ("YoY") from US\$7.59 million in 6M 2016 to US\$10.47 million in 6M 2017, mainly due to an increase of US\$2.21 million from distribution of films and others, an increase of US\$0.33 million from leasing of equipment and an increase of US\$0.27 million from production of films.

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* (produced by ZIP Cinema and presented by a third party, CJ E&M) of US\$3.77 million and return on investment as a passive investor for *MASTER* of US\$0.19 million in 6M 2017. This was partially offset by a decrease of US\$1.75 million in distribution of motion films mainly related to the disposal of Opus Pictures Limited Liability Company ("**Opus Pictures**").

Revenue from leasing of equipment of US\$0.33 million was attributable to Frame Pictures Co., Ltd. ("**Frame Pictures**") in 6M 2017 which was acquired on 31 March 2017.

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 6M 2017, while in 6M 2016, the Group produced *MASTER*. Higher revenue from the production of films was recorded in 6M 2017 as the percentage-of-completion of *GOLDEN SLUMBER* (on the basis of costs incurred relative to total expected costs) in 6M 2017 was higher as compared to that for *MASTER* in 6M 2016.

In 6M 2017, the Group generated US\$5.03 million in film production of which US\$4.30 million was from *GOLDEN SLUMBER* and US\$0.73 million from *MASTER*. The Group also generated distribution revenue of US\$4.74 million mainly due to share of profit for acting as the producer of *MASTER* of US\$3.77 million, return of investment as a passive investor for *MASTER* of US\$0.19 million and US\$0.78 million from the distribution of several motion films in 6M 2017. In addition, US\$0.37 million of revenue was generated from the restaurant sales from our café lounge business (US\$0.30 million) and photography services (US\$0.07 million).

In 6M 2016, the Group generated US\$4.76 million in film production from *MASTER*. The Group also distributed several motion films including *THE PRIESTS*, *CHASING*, *MUSUDAN* and others, which generated distribution revenue of US\$2.53 million. In addition, US\$0.30 million of revenue was generated from restaurant sales from our café

lounge business (US\$0.21 million), photography services (US\$0.08 million) and production of documentaries (US\$0.01 million).

**Three months ended 30 June 2017 (“Q2 2017”) vs Three months ended 30 June 2016 (“Q2 2016”)**

The breakdown of revenue in Q2 2017 and Q2 2016 is as follows:

| Source of revenue                         | Group                                  |  |
|---|--|--|
|   | Q2 2017<br>(Unaudited)<br>US\$ million | Q2 2016<br>(Unaudited)<br>US\$ million |
| Production of films                       | 1.19                                   | 3.04                                   |
| Distribution of films and others (*)      | 0.69                                   | 0.51                                   |
| Leasing of equipment                      | 0.33                                   | -                                      |
| Restaurant sales and café lounge business | 0.19                                   | 0.15                                   |
| Photography                               | 0.04                                   | 0.02                                   |
| Production of documentaries               | -                                      | 0.01                                   |
| <b>Total</b>                              | <b>2.44</b>                            | <b>3.73</b>                            |

(\*) 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 decreased by approximately US\$1.29 million or 35% YoY from US\$3.73 million in Q2 2016 to US\$2.44 million in Q2 2017, mainly due to a decrease of US\$1.85 million from production of films, and partially offset by an increase of US\$0.33 million from leasing of equipment and an increase of US\$0.18 million from distribution of films and others.

The decrease in revenue from production of films was mainly due to lower revenue from the production of films was recorded in Q2 2017 as the percentage-of-completion of *GOLDEN SLUMBER* (on the basis of costs incurred relative to total expected costs) in Q2 2017 was lower as compared to that for *MASTER* in Q2 2016.

The revenue from leasing of equipment of US\$0.33 million was attributable to Frame Pictures in Q2 2017.

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\$0.32 million and return on investment as a passive investor for *MASTER* of US\$0.16 million in Q2 2017. This was partially offset by a decrease of US\$0.30 million in distribution of motion films mainly related to the disposal of Opus Pictures.

In Q2 2017, the Group generated US\$1.19 million in film production of which US\$ 1.16 million was from *GOLDEN SLUMBER* and US\$0.03 million from *MASTER*. The Group also generated distribution revenue of US\$0.69 million mainly due to share of profit for acting as the producer of *MASTER* of US\$0.32 million, return of investment as a passive investor for *MASTER* of US\$0.16 million and US\$0.21 million from the distribution of several motion films in Q2 2017. In addition, US\$0.33 million was generated from leasing of equipment and US\$0.23 million of revenue was generated from the restaurant sales from our café lounge business (US\$0.19 million) and photography services (US\$0.04 million).

In Q2 2016, the Group generated US\$3.04 million in film production from *MASTER*. The Group also distributed several motion films including *THE PRIESTS*, *CHASING*, *MUSUDAN* and others, which generated distribution revenue of US\$0.51 million. In addition, US\$0.18 million of revenue was generated from the restaurant sales from our café lounge business (US\$0.15 million), photography services (US\$0.02 million), and production of documentaries (US\$0.01 million).

## Cost of sales

### 6M 2017 vs 6M 2016

The breakdown of cost of sales in 6M 2017 and 6M 2016 is as follows:

|   | Group                                  |  |
|---|--|--|
|   | 6M 2017<br>(Unaudited)<br>US\$ million | 6M 2016<br>(Unaudited)<br>US\$ million |
| <b>Cost of sales</b>                      |  |  |
| Production of films                       | 4.81                                   | 4.50                                   |
| Distribution of films and others(*)       | 0.22                                   | 4.31                                   |
| Restaurant sales and café lounge business | 0.08                                   | 0.07                                   |
| Production of documentaries               | -                                      | 0.01                                   |
| <b>Total</b>                              | <b>5.11</b>                            | <b>8.89</b>                            |

(\*) 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\$3.78 million or 42% YoY from US\$8.89 million in 6M 2016 to US\$5.11 million in 6M 2017, mainly attributable to a decrease of US\$4.09 million from distribution of films and others due to fewer motion films distributed by the Group in 6M 2017. This was partially offset by an increase in production costs of US\$0.31 million mainly due to higher production costs incurred in 6M 2017 for *GOLDEN SLUMBER* as compared to the production costs that were incurred in 6M 2016 for *MASTER*, based on the percentage-of-completion method.

In 6M 2017, cost of sales incurred from production of *GOLDEN SLUMBER* and *MASTER* was US\$4.08 million and US\$0.73 million respectively. Cost of sales of US\$0.22 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\$0.08 million of cost of sales was incurred from the restaurant sales and café lounge business.

In 6M 2016, cost of sales incurred from production of *MASTER* was US\$4.50 million. Cost of sales of US\$4.31 million was attributable to the distribution of several films including *THE PRIESTS*, *CHASING*, *MUSUDAN* and others. In addition, US\$0.08 million of cost of sales was incurred from the restaurant sales and café lounge business (US\$0.07 million) and the production of documentaries (US\$0.01 million).

## **Q2 2017 vs Q2 2016**

The breakdown of cost of sales in Q2 2017 and Q2 2016 is as follows:

|   | <b>Group</b>        |                     |
|---|---------------------|---------------------|
|   | <b>Q2 2017</b>      | <b>Q2 2016</b>      |
|   | <b>(Unaudited)</b>  | <b>(Unaudited)</b>  |
|   | <b>US\$ million</b> | <b>US\$ million</b> |
| <b>Cost of sales</b>                      |                     |                     |
| Production of films                       | 1.13                | 2.85                |
| Distribution of films and others(*)       | 0.04                | 1.40                |
| Production of documentaries               | -                   | 0.01                |
| Restaurant sales and café lounge business | 0.06                | 0.05                |
| <b>Total</b>                              | <b>1.23</b>         | <b>4.31</b>         |

(\*) 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\$3.08 million or 71% YoY from US\$4.31 million in Q2 2016 to US\$1.23 million in Q2 2017, mainly due to a decrease of US\$1.72 million from production of films in line with the decrease in the Group's revenue from production of films in Q2 2017. In addition, the decrease of US\$1.36 million from distribution of films and others was due to fewer motion films distributed by the Group in Q2 2017.

In Q2 2017, cost of sales incurred from production of *GOLDEN SLUMBER* was US\$1.13 million. Cost of sales of US\$0.04 million was attributable to the distribution of several motion films by Novus. In addition, US\$0.06 million of cost of sales was incurred from the restaurant sales and café lounge business.

In Q2 2016, cost of sales incurred from production of *MASTER* was US\$2.85 million. Cost of sales of US\$1.40 million was attributable to the distribution of several films including *THE PRIESTS*, *CHASING*, *MUSUDAN* and others. In addition, US\$0.06 million of cost of sales was incurred from the café lounge business (US\$0.05 million) and the production of documentaries (US\$0.01 million).

## **Gross profit/(loss)**

### **6M 2017 vs 6M 2016**

The Group recorded a gross profit of US\$5.35 million in 6M 2017 as compared to a gross loss of US\$1.30 million in 6M 2016. The reversal from a gross loss margin of 17% recorded in 6M 2016 to a gross profit margin of 51% in 6M 2017 was mainly due to recognition of share of profit for acting as the producer for *MASTER* of US\$3.77 million and return of investment as a passive investor for *MASTER* of US\$0.19 million in 6M 2017. Newly acquired wholly owned subsidiary, Frame Pictures contributed a total of US\$0.33 million to the gross profit in 6M 2017. The Group had also disposed of the loss-making asset, Opus Pictures, on 12 August 2016 and its 6M 2017 financial performance was not affected by Opus Pictures (6M 2016: gross loss of US\$1.78 million from distribution of films was primarily attributable to Opus Pictures).



### **Q2 2017 vs Q2 2016**

The Group recorded a gross profit of US\$1.20 million in Q2 2017 as compared to a gross loss of US\$0.57 million in Q2 2016. The reversal from a gross loss margin of 15% recorded in 6M 2016 to a gross profit margin of 49% in 6M 2017 was mainly due to recognition of share of profit for acting as the producer for *MASTER* of US\$0.32 million and return of investment as a passive investor for *MASTER* of US\$0.16 million in 2Q 2017. In addition, Frame Pictures contributed a total of US\$0.33 million to the gross profit in Q2 2017. The Group had also disposed of the loss-making asset, Opus Pictures, on 12 August 2016 and its Q2 2017 financial performance was not affected by Opus Pictures (Q2 2016: gross loss of US\$0.89 million from distribution of films was primarily attributable to Opus Pictures).

### **Other income**

#### **6M 2017 vs 6M 2016**

Other income increased by US\$1.03 million or 46% YoY from US\$2.25 million in 6M 2016 to US\$3.28 million in 6M 2017, mainly due to the gain on partial disposal of associated company, Spackman Media Group Limited ("**SMGL**"), of US\$2.99 million (6M 2016: nil) as part of the purchase consideration of the acquisition of 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 SMGL shares, subtracted by the carrying value of SMGL shares of US\$0.37 million via equity method.

#### **Q2 2017 vs Q2 2016**

Other income decreased by US\$0.08 million or 40% YoY from US\$0.20 million in Q2 2016 to US\$0.12 million in Q2 2017. The decrease was mainly due to a decrease in foreign exchange gain from US\$0.12 million in Q2 2016 to US\$ 0.04 million in Q2 2017.

### **Selling expenses**

#### **6M 2017 vs 6M 2016**

There was no significant change in selling expenses (6M 2017: US\$0.27 million, 6M 2016: US\$0.19 million).

#### **Q2 2017 vs Q2 2016**

There was no significant change in selling expenses (Q2 2017: US\$0.15 million, Q2 2016: US\$0.13 million).

## **General and administrative expenses**

### **6M 2017 vs 6M 2016**

General and administrative expenses decreased by US\$0.27 million or 10% YoY from US\$2.78 million in 6M 2016 to US\$2.51 million in 6M 2017. The decrease was mainly due to a decrease in personnel expenses of US\$0.49 million, and partially offset by an increase in depreciation of US\$0.21 million.

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

The increase in depreciation of US\$0.21 million was mainly attributable to Frame Pictures, an asset-based company, which contributed US\$0.19 million.

### **Q2 2017 vs Q2 2016**

General and administrative expenses decreased by US\$0.27 million or 15% YoY from US\$1.77 million in Q2 2016 to US\$1.50 million in Q2 2017. The decrease was mainly due to a decrease in personnel expenses of US\$0.27 million as explained above, a decrease in allowance for doubtful debts of US\$0.30 million, and partially offset by an increase in depreciation of US\$0.19 million as explained above and an increase in service fees of US\$0.07 million, mainly attributable to the acquisition of Frame Pictures.

## **Finance costs**

### **6M 2017 vs 6M 2016**

Finance costs decreased by US\$0.05 million or 52% YoY from US\$0.09 million in 6M 2016 to US\$0.04 million in 6M 2017, mainly due to a decrease in bank loans pursuant to disposal of Opus Pictures.

### **Q2 2017 vs Q2 2016**

Finance costs were US\$0.03 million in Q2 2017 compared with US\$ 0.04 million in Q2 2016. The decrease was mainly due to same reason as explained above.

## **Other expenses**

### **6M 2017 vs 6M 2016**

Other expenses decreased by US\$0.29 million or 31% YoY from US\$0.93 million in 6M 2016 to US\$0.64 million in 6M 2017, mainly because there was an absence of expenses incurred in relation to the profit on film distributable to external investors in 6M 2017 (6M 2016: US\$0.60 million of the profit on film distributable to external investors for *THE PREISTS*), and partially offset by a reversal of loss on film borne by external investor of US\$0.33 million in relation to *LIFE RISKING ROMANCE* (co-presented by Novus).

### **Q2 2017 vs Q2 2016**

Other expenses decreased by US\$0.07 million or 41% YoY from US\$0.18 million in Q2 2016 to US\$0.11 million in Q2 2017, mainly due to same reasons as explained above.

## **Share of results of associate**

### **6M 2017 vs 6M 2016**

The share of results of associate of a profit of US\$0.04 million in 6M 2017 (6M 2016: a loss of US\$0.37 million) was attributable to the profit from the Company's 26.17% owned associated company, SMGL.

In 6M 2017, the share of results of associate of a profit of US\$0.04 million was mainly attributable to profit of US\$0.29 million from SMGL's talent management business through MS Team Entertainment Co., Ltd., Kook Entertainment Co., Ltd, SBD Entertainment Inc., UAA & Co Inc. and Fiftyone K Inc., and partially offset by selling, general and administrative expenses and finance expenses of US\$0.25 million incurred by SMGL and Spackman Media Group Pte. Ltd. ("**SMGPL**").

The share of results of associate of a loss of US\$0.37 million in 6M 2016 was attributable to the losses of US\$0.15 million from its variety show production business through Delmedia Co., Ltd (which is 99% owned by SMGL and was subsequently being fully disposed in July 2016), US\$0.05 million from its TV/media commercials and music video production business through Breakfastfilm Co., Ltd. (51% owned by SMGL, which was subsequently being fully disposed in July 2016), US\$0.03 million from its talent management business, and general and administrative expenses of US\$0.14 million incurred by SMGL and SMGPL.

### **Q2 2017 vs Q2 2016**

The share of results of associate of a profit of US\$0.21 million in Q2 2017 (Q2 2016: a loss of US\$0.16 million) was attributable to the profit of US\$0.34 million from SMGL's talent management business, offset by selling, general and administrative expenses and finance expenses of US\$0.12 million.

## **Tax (expenses)/credit**

### **6M 2017 vs 6M 2016**

The Group recorded tax expense of US\$0.79 million in 6M 2017 (6M 2016: tax credit of US\$0.07 million) mainly due to taxable earnings generated by ZIP Cinema in 6M 2017 of US\$3.58 million which is subjected to a tax rate of 22%. Taxable earnings generated by ZIP Cinema in 6M 2017 was mainly attributable to the share of profit for acting as the producer for *MASTER*.

### **Q2 2017 vs Q2 2016**

The Group recorded tax expense of US\$0.01 million in Q2 2017 as compared to tax credit of US\$0.14 million in Q2 2016, mainly due to same reasons as explained above.

## **Profit/(loss) before tax**

### **6M 2017 vs 6M 2016**

As a result of the above, the Group recorded a profit before tax of US\$5.22 million in 6M 2017 as compared to a loss before tax of US\$3.41 million in 6M 2016.

### **Q2 2017 vs Q2 2016**

As a result of the above, the Group recorded a loss before tax of US\$0.25 million in Q2 2017 as compared to a loss before tax of US\$2.64 million in Q2 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\$0.17 million in 6M 2016 and US\$0.12 million in Q2 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

The Group's non-current assets amounted to US\$17.68 million as at 30 June 2017. The increase in non-current assets from US\$7.93 million as at 31 December 2016 was mainly due to:

- i) Increase in investment in associated company of US\$2.90 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 and gain from SMGL of US\$0.04 million. In addition, ZIP Cinema invested in Project G Inc. ("Project G") of US\$0.12 million, equivalent to 32.5% shareholding interest. Project G is a film development house incorporated in Republic of Korea;
- ii) Increase in property, plant and equipment of US\$2.81 million mainly attributable to Frame Pictures, which contributed US\$2.62 million;
- iii) Increase in intangible assets of US\$3.39 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; and
- iv) Increase in film production inventories of US\$0.38 million mainly related to several movies in the development stage.

### **Current assets**

The Group's current assets amounted to US\$21.38 million as at 30 June 2017. The increase in current assets from US\$14.08 million as at 31 December 2016 was mainly due to:

- i) Increase in investments of US\$1.28 million mainly attributable to investment of US\$1.08 million for theatrical projects;
- ii) Increase in trade and other receivables of US\$2.73 million mainly attributable to increase in loans receivables of US\$1.00 million to affiliate of the group, increase in advance payment of US\$0.74 million related to production of film, increase in prepayment of US\$0.33 million in relation to the purchase of distribution rights of films, and the acquisition of Frame Pictures contributed additional US\$0.32 million to trade and other receivables; and
- iii) Increase in cash and cash equivalents of US\$3.36 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\$3.22 million as at 30 June 2017, an increase of US\$1.15 million as compared to US\$2.07 million as at 31 December 2016, mainly due to:

- i) Finance lease liabilities of US\$0.67 million solely due to the acquisition of Frame Pictures;
- ii) Increase in borrowings of US\$0.38 million mainly contributed by the acquisition of Frame Pictures of US\$0.26 million. The remaining US\$0.12 million was due to adverse exchange rate effects on existing borrowings, and
- iii) Increase in deferred tax liabilities of US\$0.17 million mainly contributed by the acquisition of Frame Pictures.

## Current liabilities

The Group's current liabilities amounted to US\$10.53 million as at 30 June 2017. The increase in current liabilities from US\$6.73 million as at 31 December 2016 was mainly due to:

- i) Increase in film obligation and production loans of US\$1.60 million related to advances, which were received from customers for *GOLDEN SLUMBER* of US\$1.80 million, and partially offset by US\$0.20 million due to the repayments to investors of *MASTER*;
- ii) Increase in trade and other payables of US\$1.02 million mainly due to the acquisition of Frame Pictures which contributed US\$1.24 million;
- iii) Increase in tax payables of US\$0.65 million mainly due to increase in chargeable income from ZIP Cinema in 6M 2017; and
- iv) Increase in finance lease liabilities of US\$0.52 million solely due to the acquisition of Frame Pictures.

## Consolidated Statement of Cash Flow

As at 30 June 2017, the Group had cash and cash equivalents amounting to US\$9.30 million as compared to cash and cash equivalents amounting to US\$3.59 million as at 30 June 2016.

The significant cash movements during Q2 2017 as compared to Q2 2016 can be summarised as follows:

Cash flow generated from operating activities for Q2 2017 amounted to US\$1.36 million as compared to cash used in operating activities of US\$2.93 million for Q2 2016. The cash flow generated from operating activities for Q2 2017 was mainly due to net working capital inflows of US\$1.60 million mainly resulting from a decrease in receivables of US\$2.91 million, offset by a decrease in payables of US\$1.13 million and an increase in film production inventories of US\$0.20 million. In addition, income tax paid of US\$0.13 million and operating loss before working capital changes of US\$0.11 million partially offset the cash inflows from operating activities.

Cash flow used in investing activities for Q2 2017 was US\$2.53 million as compared to cash flow used in investing activities of US\$0.84 million for Q2 2016. The cash flow used in investing activities for Q2 2017 was mainly due to cash used for acquisition of investments in project of US\$1.96 million, short-term loans granted of US\$1.05 million, purchases of property, plant and equipment of US\$0.31 million, offset by the disposal of investments in projects of US\$0.62 million.

Cash flow generated from financing activities was US\$1.52 million for Q2 2017 as compared to cash flow used in financing activities of US\$0.17 million for Q2 2016. The cash generated from financing activities in Q2 2017 was mainly due to proceeds from film obligations and production loans of US\$1.84 million which was primarily for the production of *GOLDEN SLUMBER*, proceeds from borrowings of US\$0.24 million was mainly for down payment for leasing of equipment and increase in finance lease liabilities of US\$0.28 million by Frame Pictures, offset by payment of box office proceeds to investors of US\$0.31 million and repayment of film obligations and productions loans of US\$0.26 million to investors of *MASTER*.

## 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        |               |
|---|-----------------------|---------------|---------------------|--------------|--------------|--------------|--------------|---------------|
|   | 6M 2017               | 6M 2016       | 6M 2017             | 6M 2016      | 6M 2017      | 6M 2016      | 6M 2017      | 6M 2016       |
|   | US\$ million          | US\$ million  | US\$ million        | US\$ million | US\$ million | US\$ million | US\$ million | US\$ million  |
| Revenue   | 4.73                  | 2.53          | 5.03                | 4.76         | 0.71         | 0.30         | 10.47        | 7.59          |
| Cost of sales                                       | (0.22)                | (4.31)        | (4.81)              | (4.50)       | (0.08)       | (0.08)       | (5.11)       | (8.89)        |
| Loss on film borne by external investor             | -                     | 1.72          | -                   | -            | -            | -            | -            | 1.72          |
| Profit on film distribution to investor             | -                     | (0.60)        | -                   | -            | -            | -            | -            | (0.60)        |
| Reversal of loss on film borne by external investor | (0.35)                | (0.03)        | -                   | -            | -            | -            | (0.35)       | (0.03)        |
| Impairment loss on film production inventories      | (0.05)                | -             | -                   | -            | -            | -            | (0.05)       | -             |
| Gain on disposal of associated company              | -                     | -             | -                   | -            | 2.99         | -            | 2.99         | -             |
| <b>Segment gross results</b>                        | <b>4.11</b>           | <b>(0.69)</b> | <b>0.22</b>         | <b>0.26</b>  | <b>3.62</b>  | <b>0.22</b>  | <b>7.95</b>  | <b>(0.21)</b> |
| Selling and general & administrative expenses       | (1.11)                | (0.97)        | (1.18)              | (1.82)       | (0.17)       | (0.11)       | (2.46)       | (2.90)        |
| Segment net results                                 | 3.00                  | (1.66)        | (0.96)              | (1.56)       | 3.45         | 0.11         | 5.49         | (3.11)        |
| <b>Unallocated other income:</b>                    |                       |               |                     |              |              |              |              |               |
| Other income  |                       |               |                     |              |              |              | 0.28         | 0.52          |
| <b>Unallocated expenses:</b>                        |                       |               |                     |              |              |              |              |               |
| Share of results of associate                       |                       |               |                     |              |              |              | 0.04         | (0.37)        |
| Depreciation and amortization                       |                       |               |                     |              |              |              | (0.31)       | (0.07)        |
| Other expenses                                      |                       |               |                     |              |              |              | (0.24)       | (0.29)        |
| Finance costs                                       |                       |               |                     |              |              |              | (0.04)       | (0.09)        |
| <b>Profit/(loss) before tax</b>                     |                       |               |                     |              |              |              | <b>5.22</b>  | <b>(3.41)</b> |
| Tax expense   |                       |               |                     |              |              |              | (0.79)       | 0.07          |
| <b>Gain/(loss) for the period</b>                   |                       |               |                     |              |              |              | <b>4.43</b>  | <b>(3.34)</b> |
| <b>Segment assets</b>                               | <b>2.44</b>           | <b>1.41</b>   | <b>2.58</b>         | <b>2.63</b>  | <b>0.36</b>  | <b>0.17</b>  | <b>5.38</b>  | <b>4.21</b>   |
| Unallocated assets                                  |                       |               |                     |              |              |              | 33.68        | 29.09         |
| Total assets  |                       |               |                     |              |              |              | 39.06        | 33.30         |
| <b>Segment liabilities</b>                          | <b>2.49</b>           | <b>2.31</b>   | <b>2.64</b>         | <b>4.33</b>  | <b>0.37</b>  | <b>0.27</b>  | <b>5.50</b>  | <b>6.91</b>   |
| Unallocated liabilities                             |                       |               |                     |              |              |              | 8.25         | 13.13         |
| Total liabilities                                   |                       |               |                     |              |              |              | 13.75        | 20.04         |

**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 half of 2017, the South Korean film market remained relatively stable, reporting a 3.4% increase in gross box office revenue to KRW 783.7 billion (USD 703.5 million)\* and a 2.8% year-on-year increase in admissions to 97.3 million.

The Group's upcoming manhunt thriller movie, *GOLDEN SLUMBER*, starring Gang Dong-won and Han Hyo-joo, is based on the Japanese novel by Isaka Kotaro. The film is produced by Zip Cinema Co., Ltd. ("**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 tentatively set at KRW 10 billion (US\$8.7 million).

The Group is currently in discussions to join as an investor for an upcoming film *NOW I WILL MEET YOU*, which is set to star top-tier Korean actors Son Ye-jin and So Ji Sub, who are both managed by SMGL. The Group will continue to seek more opportunities to collaborate with SMGL's artists in creating and participating in quality content projects.

Presently, the Group is reviewing future acquisition opportunities and intends to reshape its business model to diversify revenue stream. The Group shall aggressively pursue new acquisitions that will help the Group post a more consistent revenue stream and be less reliant on the box office performance of its movies.

The Group and its 26.2% 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/>, July 2017)*

*\*Exchange rate of 1 USD : 1114 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/recommendeded, a statement to that effect**

No dividend has been declared or recommended for Q2 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 Q2 2017.

**15. Use of Placement proceeds**

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

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

| <b>Use of proceeds</b>   | <b>Amount allocated<br/>(S\$'000)</b> | <b>Amount utilised<br/>(S\$'000)</b> | <b>Balance<br/>(S\$'000)</b> |
|--|---------------------------------------|--------------------------------------|------------------------------|
| <u>70% of net proceeds to be used for:</u><br><b>(A) New business investments and acquisitions<sup>(1)</sup></b> | 4,156                                 | (1,615)                              | 2,541                        |
| <u>30% of net proceeds to be used for:</u><br><b>(B) General working capital<sup>(2)</sup></b>                   | 1,781                                 | (965)                                | 816                          |
| <b>Total</b>   | 5,937                                 | (2,580)                              | 3,357                        |

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\$362,716);
- Personnel expenses (S\$269,177); and
- Others (S\$333,301).

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 and 6 months financial periods ended 30 June 2017 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

Charles Choi Spackman

Executive Chairman

Date: 10 August 2017

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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.