

spackmanentertainmentgroup

(Company Registration No.:201401201N)

Unaudited Financial Statement and Dividend Announcement For the Financial Year Ended 31 December 2017

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group		
	Twelve Months Ended		
	31 December 2017 (Unaudited) US\$'000	31 December 2016 (Audited) US\$'000	Change %
Revenue	20,552	15,135	36
Cost of sales	(12,277)	(19,137)	(36)
Gross profit/(loss)	8,275	(4,002)	NM
Other income	3,284	8,413	(61)
Selling expenses	(545)	(405)	35
General and administrative expenses ⁽¹⁾	(6,038)	(4,887)	24
Finance costs	(100)	(121)	(17)
Other expenses ⁽¹⁾	(1,191)	(1,310)	(9)
Share of results of an associate	38	(71)	NM
Profit/(Loss) before tax	3,723	(2,383)	NM
Tax (expense)/credit	(699)	130	NM
Profit/(Loss) from continuing operations	3,024	(2,253)	NM
Loss from discontinued operation, net of tax	-	(371)	NM
Profit/(Loss) for the year	3,024	(2,624)	NM
Other comprehensive income/(loss)			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Share of other comprehensive income/(loss) of associated company	224	(104)	NM
Currency translation difference arising from consolidation	925	(244)	NM
Currency translation difference reclassified to profit or loss	-	249	NM
Total comprehensive income/(loss) for the year	4,173	(2,723)	NM
Profit/(Loss) for the year attributable to:			
Equity holders of the company	2,982	(2,425)	NM
Non-controlling interests	42	(199)	NM
	3,024	(2,624)	NM
Total comprehensive Profit/(loss) for the year attributable to:			
Equity holders of the Company	4,041	(2,504)	NM
Non-controlling interests	132	(219)	NM
	4,173	(2,723)	NM

(1) Certain expenses were incorporated within general and administrative expenses in twelve months ended 31 December 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 FY2016 of the Group.

NM – Not meaningful

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

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

	Twelve Months Ended		Change %
	31 December 2017	31 December 2016	
	(Unaudited) US\$'000	(Audited) US\$'000	
Personnel expenses	2,366	2,496	(5)
Rent expense	1,104	887	24
Travel expense	184	148	24
Entertainment expense	316	145	118
Service expenses	998	741	35
Audit fee	158	178	(11)
Non-audit fee	24	66	(64)
Impairment loss on investments	261	650	(60)
Impairment loss on intangible assets	243	-	NM
Impairment loss on film production inventories	149	111	34
Depreciation and amortization	809	237	NM
Reversal of allowance of doubtful receivables	-	(58)	NM
Allowance for doubtful receivables	177	27	NM
Profit on film distributable to external investor	-	603	NM
Reversal of loss on film borne by external investors	371	25	NM
Loss on film borne by external investors	-	(5,450)	NM
Gain on disposal of subsidiaries	-	(2,398)	NM
(Gain)/Loss on disposal of associate	(2,697)	94	NM
Interest expense	100	121	(17)
Interest income	(154)	(74)	108
Foreign exchange (gain)/loss, net	(14)	39	NM

NM – Not meaningful

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

	Twelve Months Ended		Change %
	31 December 2017	31 December 2016	
	(Unaudited) US\$'000	(Audited) US\$'000	
Personnel expenses	-	143	NM
Rent expense	-	1	NM
Travel expense	-	13	NM
Entertainment expense	-	44	NM
Service expenses	-	55	NM
Depreciation and amortization	-	5	NM
Reversal of allowance of doubtful receivables	-	(126)	NM
Interest income	-	(1)	NM
Foreign exchange loss, net	-	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	
	31 December 2017 (Unaudited) US\$'000	31 December 2016 (Audited) US\$'000	31 December 2017 (Unaudited) US\$'000	31 December 2016 (Audited) US\$'000
Assets				
Investment in subsidiaries	-	-	23,008	16,245
Investment in associated company	9,306	3,433	8,955	3,298
Property, plant and equipment	7,125	3,080	11	12
Intangible assets	5,763	937	-	-
Film production inventories	747	355	-	-
Long-term investment	47	-	-	-
Long-term trade and other receivables	838	-	-	-
Deferred tax assets	131	123	-	-
Non-current assets	23,957	7,928	31,974	19,555
Film production inventories	820	69	-	-
Inventories	7	5	-	-
Investments	6,619	4,457	460	-
Loan to subsidiaries	-	-	1,179	429
Trade and other receivables	8,736	3,615	545	399
Cash and cash equivalents	6,237	5,936	764	470
Current assets	22,419	14,082	2,948	1,298
Total assets	46,376	22,010	34,922	20,853
Liabilities				
Borrowings	2,119	1,903	-	-
Long-term finance lease liabilities	821	-	-	-
Other non-current liabilities	73	136	-	-
Deferred tax liabilities	466	35	-	-
Non-current liabilities	3,479	2,074	-	-
Trade and other payables	8,356	3,013	490	181
Film obligation and production loans	2,579	912	-	-
Deferred revenue	681	2,649	-	-
Finance lease liabilities	651	-	-	-
Borrowings	629	-	-	-
Tax payables	305	153	-	-
Current liabilities	13,201	6,727	490	181
Total liabilities	16,680	8,801	490	181
Net assets	29,696	13,209	34,432	20,672
Share capital and reserves				
Share capital	37,461	25,019	37,461	25,019
Treasury shares	(134)	-	(134)	-
Other reserves	(2,321)	(3,386)	-	-
Accumulated losses	(6,090)	(9,072)	(2,895)	(4,347)
Equity attributable to equity holders of the Company, total	28,916	12,561	34,432	20,672
Non-controlling interests	780	648	-	-
Total equity	29,696	13,209	34,432	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 December 2017 (Unaudited)		As at 31 December 2016 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
601	28	-	-

Amount repayable after one year

As at 31 December 2017 (Unaudited)		As at 31 December 2016 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
2,119	-	1,903	-

Details of any collateral

The Group's short term borrowing of US\$93,336 is secured over a credit guarantee by Korea Credit Guarantee Fund ("KCGF"), short-term borrowings of US\$214,672 is secured over land and a building with carrying amounts of US\$3,165,232 (31 December 2016: US\$2,870,471) and the remaining short-term borrowings of US\$293,075 is secured over a personal guarantee by a subsidiary's chief executive officer.

The Group's long-term borrowing of US\$1,932,052 is secured over land and a building with carrying amounts of US\$3,165,232 (31 December 2016: US\$2,870,471) and the remaining long-term borrowings of US\$186,672 is secured over a credit guarantee by KCGF.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Cash Flows

	Group	
	12 Months Ended	
	31 December 2017 (Unaudited) US\$'000	31 December 2016 (Audited) US\$'000
Operating activities		
Profit/(Loss) before income tax from continuing operations	3,723	(2,383)
Loss before income tax from discontinued operation	-	(351)
Profit/(Loss) before tax, total	3,723	(2,734)
Adjustments for:		
Depreciation and amortization	809	242
Interest income	(154)	(75)
Interest expense	100	121
Impairment loss on film production inventories	149	111
Share of results of associated company	(38)	71
Gain on disposal of subsidiary	-	(2,398)
(Gain)/Loss on disposal of associate	(2,697)	95
Allowance for doubtful debts	177	27
Reversal of allowance of doubtful debt	-	(184)
Fair value loss on investment in insurance products	-	9
Fair value gain on investment in mutual funds	-	(11)
Impairment loss on investments	261	650
Impairment loss on intangible assets	243	-
Gain on valuation of financial instrument	(16)	-
Loss/(Gain) on disposal of investments	15	(18)
Profit on film distributable to external investors	-	603
Loss on film borne by external investors	-	(5,450)
Reversal of loss on film borne by external investors	371	25
Loss on disposal of property, plant and equipment	-	34
Operating profit/(loss) before working capital changes	2,943	(8,882)
Working capital changes		
Investment in theatrical film projects, net	-	(879)
Inventories	(1)	(1)
Film production inventories	(984)	1,727
Receivables	(3,179)	24,214
Payables	(218)	(9,532)
Currency translation adjustments	73	114
Cash (used in)/generated from operations	(1,366)	6,761
Interest received	77	22
Income tax paid	(432)	(392)
Net cash (used in)/generated from operating activities	(1,721)	6,391
Investing activities		
Short term loans granted	(3,101)	(337)
Collection of short term loans	1,984	424
Purchases of property, plant and equipment	(1,551)	(193)

	Group	
	12 Months Ended	
	31 December 2017	31 December 2016
	(Unaudited) US\$'000	(Audited) US\$'000
Proceeds from disposal of property, plant and equipment	-	87
Purchases of intangible assets	(103)	(223)
Net cash from disposal of subsidiaries	-	919
Acquisition of associated company	(231)	-
Acquisition of subsidiaries	(1,229)	-
Purchases of short term investments	-	(1,237)
Proceeds from disposal of short term investments	886	2,231
Purchases of long term investments	(318)	-
Proceeds from disposal of long term investments	-	59
Acquisition of investment in securities	(504)	-
Disposal of Investment in securities	262	-
Acquisition of investments in project	(3,282)	-
Disposal of investments in project	916	-
Decrease of leasehold deposit	92	-
Increase of leasehold deposit	(404)	-
Net cash (used in)/generated from investing activities	(6,583)	1,730
Financing activities		
Repayment of borrowings	(819)	(2,605)
Proceeds from borrowings	1,236	1,105
Payment of box office proceeds to investors	(359)	(10,014)
Proceeds from film obligations and production loans	2,299	3,642
Repayment of film obligations and production loans	(451)	-
Decrease in finance lease liabilities	(429)	-
Increase in finance lease liabilities	790	-
Issuance of shares	4,244	-
Treasury shares	(134)	-
Interest paid	(111)	(163)
Net cash generated from/(used in) financing activities	6,266	(8,035)
Net change in cash and cash equivalents	(2,038)	86
Cash and cash equivalents at beginning of financial period	5,936	5,949
Effect of exchange rate changes	538	(99)
Cash generated from the acquisition of subsidiaries	1,801	-
Cash and cash equivalents at end of the financial period	6,237	5,936
Cash and cash equivalents comprise:		
Continuing operations:		
Cash and bank balances	4,894	5,936
Money market funds	1,343	-
	6,237	5,936

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	Treasury shares	Other reserve	Accumulated losses	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	US\$'000
Balance as at 1 January 2017	25,019	-	(3,386)	(9,072)	-	12,561	648	13,209
Issuance of ordinary shares	12,442	-	-	-	-	12,442	-	12,442
Purchase of treasury shares	-	(134)	-	-	-	(134)	-	(134)
Profit for the year	-	-	-	2,982	-	2,982	42	3,024
<i>Other comprehensive income</i>								
Share of other comprehensive income of associated company	-	-	224	-	-	224	-	224
Currency translation difference on consolidation	-	-	835	-	-	835	90	925
Others	-	-	6	-	-	6	-	6
	12,442	(134)	1,065	2,982	-	16,355	132	16,487
Balance as at 31 December 2017	37,461	(134)	(2,321)	(6,090)	-	28,916	780	29,696
Group (Audited)								
Balance as at 1 January 2016	25,019	-	(3,100)	(6,647)	(207)	15,065	1,630	16,695
Loss for the year	-	-	-	(2,425)	-	(2,425)	(200)	(2,625)
<i>Other comprehensive loss</i>								
Share of other comprehensive loss of associated company	-	-	(104)	-	-	(104)	-	(104)
Currency translation difference on consolidation	-	-	(309)	-	85	(224)	(19)	(243)
Currency translation differences reclassified to profit or loss on:								
- Disposal of subsidiaries	-	-	1	-	122	123	-	123
- Disposal of associated company	-	-	126	-	-	126	-	126
	-	-	(286)	(2,425)	207	(2,504)	(219)	(2,723)
Disposal of subsidiaries	-	-	-	-	-	-	(763)	(763)
Balance as at 31 December 2016	25,019	-	(3,386)	(9,072)	-	12,561	648	(13,209)

Statement of Changes in Equity

Company (unaudited)	Share capital	Treasury shares	Accumulated losses	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 January 2017	25,019	-	(4,347)	20,672
Issuance of ordinary shares	12,442	-	-	12,442
Purchase of treasury shares	-	(134)	-	(134)
Profit for the year	-	-	1,452	1,452
Balance as at 31 December 2017	37,461	(134)	(2,895)	34,432

Company (Audited)

Balance as at 1 January 2016	25,019	-	(3,730)	21,289
Loss for the year	-	-	(617)	(617)
Balance as at 31 December 2016	25,019	-	(4,347)	20,672

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.

Share Capital – Ordinary shares	Number of shares	Issued and paid-up share capital
Balance as at 1 October 2017	461,332,600	US\$32,179,099
Issuance of consideration shares for 2.95% SMGL Acquisition ⁽¹⁾	28,451,000	US\$2,705,509
Issuance of consideration shares for Take Pictures Acquisition ⁽²⁾	25,686,816	US\$2,442,652
Balance as at 31 December 2017	515,470,416	US\$37,327,260

Notes:

- (1) The Company had on 26 October 2017 issued and allotted 28,451,000 new ordinary shares of the Company in relation to the acquisition of an additional 2.95% equity interest in Spackman Media Group Limited (“SMGL”) (“2.95% SMGL Acquisition”).
- (2) The Company had on 26 October 2017 issued and allotted 25,686,816 new ordinary shares of the Company in relation to the acquisition of 100% equity interest in Take Pictures Pte. Ltd. (“Take Pictures Acquisition”).

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

There were 1,699,100 treasury shares (representing 0.33% of the Company’s 515,470,416 ordinary shares) as at 31 December 2017. There were no treasury shares as at 31 December 2016.

There were also no subsidiary holdings as at 31 December 2017 and 31 December 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 December 2017	As at 31 December 2016
Total number of issued shares excluding treasury shares	515,470,416	398,770,209

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

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

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

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

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

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

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

Not applicable as the figures have not been audited nor reviewed.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

Save as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as those used in the most recently audited annual financial statements for the financial year ended 31 December 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 year.

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

	Group	
	12 months ended	
	31 December 2017	31 December 2016
Earnings/(loss) per share ("EPS/(LPS)")		
Profit/(loss) attributable to shareholders of the Company (US\$)	2,981,857	(2,424,734)
Weighted average number of ordinary shares in issue	458,267,290	398,770,209
Basic and fully diluted basic EPS/(LPS) (US cents) ^{(1) (2)}	0.65	(0.61)
Adjusted EPS/(LPS) (US cents) ⁽³⁾	0.58	(0.61)

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 (excluding treasury shares).
- (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 FY2017 was calculated based on 515,470,416 ordinary shares in issue (excluding treasury shares) as at 31 December 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 December 2017	31 December 2016	31 December 2017	31 December 2016
Net asset value (US\$)	29,695,300	13,208,621	34,431,597	20,671,704
Number of ordinary shares in issue (excluding treasury shares)	515,470,416	398,770,209	515,470,416	398,770,209
Net asset value per ordinary share (US\$)	0.058	0.033	0.067	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

FY2017 vs FY2016

The breakdown of revenue in FY2017 and FY2016 is as follows:

Source of revenue	Group	
	FY2017 (Unaudited) US\$ million	FY2016 (Audited) US\$ million
Production of films	8.61	10.59
Distribution of films and others (*)	8.80	3.90
Leasing of equipment	2.25	-
Restaurant sales and café lounge business	0.56	0.46
Photography	0.12	0.19
Others	0.21	-
Total	20.55	15.14

(*) 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 36% year-on-year (“YoY”) to US\$20.55 million in FY2017, mainly due to the following:

- (i) an increase of US\$4.90 million from distribution of films and others mainly due to the recognition of the share of profit of US\$3.98 million for acting as the producer for *MASTER* and sales of distribution rights / video on demand (“VOD”) sales for the ancillary market in Korea for *THE OUTLAWS* (co-presented by the Company’s 51%-owned subsidiary, Novus Mediacorp Co., Ltd. “Novus”) of US\$2.60 million, offset by a decrease in distribution of motion films mainly as a result of the disposal of Opus Pictures Limited Liability Company (“Opus Pictures”);
- (ii) an increase of US\$2.25 million from leasing of equipment to third parties by Frame Pictures Co., Ltd. (“Frame Pictures”) which was acquired on 31 March 2017; and
- (iii) partially offset by a decrease of US\$1.98 million from production of films as the percentage-of-completion for *GOLDEN SLUMBER* and *SOVEREIGN DEFAULT* (produced by an indirectly wholly-owned subsidiary of the Company, Zip Cinema Co., Ltd “ZIP Cinema” and presented by a third party, CJ E&M) in FY2017 was lower as compared to that for *MASTER* in FY2016.

Cost of sales

The breakdown of cost of sales in FY2017 and FY2016 is as follows:

Cost of sales	Group	
	FY2017 (Unaudited) US\$ million	FY2016 (Audited) US\$ million
Production of films	9.01	10.46
Distribution of films and others (*)	2.94	8.54
Leasing of equipment	0.03	-
Restaurant sales and café lounge business	0.18	0.14
Others	0.12	-
Total	12.28	19.14

(*) 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 36% YoY to US\$12.28 million in FY2017, mainly attributable to the following:

- (i) a decrease of US\$5.60 million from distribution of films and others due to fewer motion films distributed by the Group in FY2017 mainly as a result of the disposal of Opus Pictures; and
- (ii) a decrease of US\$1.45 million from production of films due to lower production costs incurred in FY2017 for *GOLDEN SLUMBER* and *SOVEREIGN DEFAULT* as compared to the production costs that were incurred in FY2016 for *MASTER*, based on the percentage-of-completion method.

Gross profit/(loss)

The Group recorded a gross profit of US\$8.27 million in FY2017 as compared to a gross loss of US\$4.00 million in FY2016. The reversal from a gross loss margin of 26% recorded in FY2016 to a gross profit margin of 40% in FY2017 was mainly due to recognition of share of profit for acting as the producer for *MASTER* of US\$3.98 million, return of investment as a passive investor for *MASTER* of US\$0.20 million, gross profit from VOD sales for *THE OUTLAWS* of US\$0.60 million in FY2017 and gross profit from restaurant sales and café lounge business of US\$0.38 million. Newly acquired wholly owned subsidiary, Frame Pictures contributed a total of US\$2.22 million to the gross profit in FY2017. Gross loss in FY2016 was mainly due to gross loss of US\$4.64 million from distribution of films which was primarily attributable to the lackluster performance of four films released during FY2016, *CHASING*, *MUSUDAN*, *ONE MORE TIME* and *LIFE RISKING ROMANCE*.

Other income

Other income decreased by 61% YoY to US\$3.28 million in FY2017, mainly because there was an absence of non-recurring gain of US\$2.40 million in FY2016 in relation to the gain on disposal of subsidiaries, Opus Pictures and UAA Korea Co. Ltd, and the absence of loss on film borne by external investors which amounted to US\$5.45 million in FY2016. This was partially offset by a gain of US\$2.70 million in FY2017 on partial disposal of 497,250 shares of the Company's associated company, SMGL.

General and administrative expenses

General and administrative expenses increased by 24% from US\$4.89 million in FY2016 to US\$6.04 million in FY2017 mainly due to the acquisition of Frame Pictures which resulted in an increase in depreciation and amortization, service fee and rental expenses.

Share of results of associate

The share of results of associate of a profit of US\$0.04 million in FY2017 (FY2016: a loss of US\$0.07 million) relates to the profit from SMGL. SMGL's profit in FY2017 was attributable to its talent management business while its losses incurred in FY2016 was mainly due to its variety show production, TV/media commercials and music video production businesses which had been disposed of in July 2016.

Tax (expense)/credit

The Group recorded tax expense of US\$0.70 million in FY2017 (FY2016: tax credit of US\$0.13 million) mainly due to taxable earnings generated by ZIP Cinema, Novus and Frame Pictures.

Profit/(Loss) before tax

As a result of the above, the Group recorded a profit before tax of US\$3.72 million in FY2017 as compared to a loss before tax of US\$2.38 million in FY2016.

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 Company 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\$0.37 million in FY2016.

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\$24.34 million as at 31 December 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\$5.87 million mainly due to additional acquisition of 1.9 million shares in SMGL at a consideration of US\$5.75 million, partially offset by the subsequent disposal of 497,250 shares in SMGL of US\$0.32 million as part of the purchase consideration for the acquisition of Frame Pictures and gain from SMGL of US\$0.21 million. In additions, the Company invested in The Makers Studio Co., Ltd ("**Makers Studio**") of US\$0.23 million;
- ii) Increase in property, plant and equipment of US\$4.05 million mainly attributable to Frame Pictures, which contributed US\$3.73 million;
- iii) Increase in intangible assets of US\$4.83 million mainly attributable to goodwill of US\$1.86 million and intangible assets of US\$0.87 million arising from the acquisition of Frame Pictures. In addition, acquisition of Take Pictures Pte. Ltd. ("**Take Pictures**") contributed US\$1.99 million to the goodwill;
- iv) Increase in film production inventories of US\$0.39 million mainly related to several movies in the development stage; and
- v) Increase in long-term trade and other receivables of US\$0.84 million mainly attributable to Frame Pictures, which contributed US\$0.72 million.

Current assets

The Group's current assets amounted to US\$22.42 million as at 31 December 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\$2.16 million mainly attributable to investment of US\$2.47 million for theatrical projects, investment in insurance products of US\$0.38 million, investment in Skin Inc Global Pte. Ltd. ("**Skin Inc**"), a Singapore-based, leading customizable skincare brand of US\$0.36 million, investment in Nunsongyee, a Korean Dessert Café chain in Singapore of US\$0.10 million, and partially offset by a decrease in investment in short term fund investment of US\$1.15 million;
- ii) Increase in trade and other receivables of US\$5.12 million mainly attributable to increase in loans receivables of US\$1.00 million mainly in relation to short term loan to Spackman Media Group Pte. Ltd., the acquisition of Frame Pictures contributed US\$0.74 million to trade and other receivables, additional trade receivables of US\$2.31 million mainly as a result of VOD sales for *THE OUTLAWS*, and increase in advance payment of US\$1.15 million related to production of film;
- vi) Increase in film production inventories of US\$0.75 million mainly related to several movies in the development stage; and
- iii) Increase in cash and cash equivalents of US\$0.30 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\$3.48 million as at 31 December 2017, an increase of US\$1.41 million as compared to US\$2.07 million as at 31 December 2016, mainly due to the acquisition of Frame Pictures which resulted in an increase in finance lease liabilities, deferred tax liabilities and borrowings.

Current liabilities

The Group's current liabilities amounted to US\$13.20 million as at 31 December 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\$1.67 million related to advances, which were received from investors for *GOLDEN SLUMBER* of US\$2.05 million and for *DAMAGED* of US\$0.37 million. *DAMAGED* is produced by Studio Take Co., Ltd ("**Studio Take**"), a wholly-owned subsidiary of Take Pictures, and partially offset by US\$0.75 million due to the repayments to film investors;
- ii) Increase in trade and other payables of US\$5.34 million mainly in relation to the acquisition of Frame Pictures and Take Pictures which contributed US\$1.56 million and US\$0.50 million respectively. In addition, increase in trade and other payables of US\$2.89 million mainly related to costs payable to copyright supplier of *THE OUTLAWS*;
- iii) Increase in tax payables of US\$0.15 million mainly due to increase in chargeable income from ZIP Cinema in FY2017;
- iv) Increase in borrowings of US\$0.63 million mainly due to the acquisition of Take Pictures of US\$0.39 million and short term borrowing of US\$0.21 million held by ZIP Cinema;
- v) Increase in finance lease liabilities of US\$0.65 million solely attributable to Frame Pictures; and
- vi) Partially offset by a decrease in deferred revenue of US\$1.97 million mainly because the minimum guarantee received for the Group's sale of distribution rights in ancillary market of films were released to revenue from distributions of films.

Consolidated Statement of Cash Flow

As at 31 December 2017, the Group had cash and cash equivalents amounting to US\$6.24 million as compared to cash and cash equivalents amounting to US\$5.94 million as at 31 December 2016.

The significant cash movements during FY2017 as compared to FY2016 can be summarized as follows:

Cash flow used in operating activities for FY2017 amounted to US\$1.72 million as compared to cash generated from operating activities of US\$6.39 million for FY2016. The cash flow used in operating activities for FY2017 was mainly due to a net working capital outflows of US\$4.31 million mainly resulting from an increase in receivables of US\$3.18 million and an increase in film production inventories of US\$0.98 million, income tax paid of US\$0.43 million, and partially offset by operating profit before working capital changes of US\$2.94 million.

Cash flow used in investing activities for FY2017 was US\$6.58 million as compared to cash flow generated from investing activities of US\$1.73 million for FY2016. The cash flow used in investing activities for FY2017 was mainly due to short-term loans granted of US\$3.10 million, purchases of property, plant and equipment of US\$1.55 million, cash used for acquisition of associated company and subsidiaries of US\$1.46 million, cash used for acquisition of investment in project of US\$3.28 million, investment in securities of US\$0.50 million, purchase of long term investments of US\$0.32 million, partially offset by collection of short term loans of US\$1.98 million, proceeds from disposal of short term investments of US\$0.89 million and proceeds from disposal of investment in project of US\$0.92 million.

Cash flow generated from financing activities was US\$6.27 million for FY2017 as compared to cash flow used in financing activities of US\$8.04 million for FY2016. The cash generated from financing activities in FY2017 was mainly due to issuance of shares of US\$4.24 million, proceeds from film obligations and production loans of US\$2.30 million which was primarily for the production of *GOLDEN SLUMBER* and proceeds from borrowings of US\$1.24 million which was mainly for down payment for leasing of equipment.

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

In the Company's annual report for the financial year ended 31 December 2016, it was mentioned that "We believe we are on track for a recovery in FY2017 in light of the full divestment of loss-making Opus Pictures and earnings recognition from MASTER". There is no variation from this statement.

10. Segment information

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

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

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

In US\$' million	Distribution of films		Production of films		Leasing of equipment		Others		Total	
	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016
Revenue	8.80	3.90	8.61	10.59	2.25	-	0.89	0.65	20.55	15.14
Cost of sales	(2.94)	(8.54)	(9.01)	(10.46)	(0.03)	-	(0.30)	(0.14)	(12.28)	(19.14)
Loss on film borne by external investor	-	5.45	-	-	-	-	-	-	-	5.45
Profit on film distribution to investor	-	(0.60)	-	-	-	-	-	-	-	(0.60)
Reversal of loss on film borne by external investor	(0.37)	(0.03)	-	-	-	-	-	-	(0.37)	(0.03)
Impairment loss on film production inventories	(0.02)	(0.11)	-	-	-	-	-	-	(0.02)	(0.11)
Gain on disposal of associated company	-	-	-	-	-	-	2.70	-	2.70	-
Segment gross results	5.47	0.07	(0.40)	0.13	2.22	-	3.29	0.51	10.58	0.71
Selling and general & administrative expenses	(2.55)	(1.33)	(2.49)	(3.60)	(0.65)	-	(0.26)	(0.22)	(5.95)	(5.15)
Segment net results	2.92	(1.26)	(2.89)	(3.47)	1.57	-	3.03	0.29	4.63	(4.44)
Unallocated other income:										
Other income									0.58	2.96
Unallocated expenses:										
Share of results of associate									0.04	(0.07)
Depreciation and amortization									(0.74)	(0.14)
Other expenses									(0.69)	(0.57)
Finance costs									(0.10)	(0.12)
Profit/(loss) before tax									3.72	(2.38)
Tax (expense)/credit									(0.70)	0.13
Profit/(loss) for the year									3.02	(2.25)
Segment assets	5.81	1.19	5.69	3.23	1.48	-	0.59	0.20	13.57	4.62
Unallocated assets									32.81	17.39
Total assets									46.38	22.01
Segment liabilities	3.14	0.94	3.08	2.57	0.80	-	0.32	0.16	7.34	3.67
Unallocated liabilities									9.34	5.13
Total liabilities									16.68	8.80

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

Segment Revenue

The Group's revenue for FY2017 was mainly derived from the distribution of films, which made up 43% of the Group's revenue (FY2016: 26%) and revenue from production of films and others, which made up 42% of the Group's revenue (FY2016: 70%), which, on aggregate, made up 85% (FY2016: 96%) of the Group's revenue for FY2017.

The increase in revenue from the distribution of films from US\$3.90 million in FY2016 to US\$8.80 million in FY2017 was mainly attributable to the recognition of the share of profit for acting as the producer for *MASTER* and VOD sales for *THE OUTLAWS*.

The decrease in revenue from the production of films from US\$10.59 million in FY2016 to US\$8.61 million in FY2017 was primarily attributable to the percentage-of-completion for *GOLDEN SLUMBER* and *SOVEREIGN DEFAULT* in FY2017 was lower as compared to that for *MASTER* in FY2016.

The increase in leasing of equipment of US\$2.25 million in FY2017 was contributed by Frame Pictures, which was acquired on 31 March 2017.

For further details, please refer to note 8 above.

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

The South Korean film sector attained record high cinema attendance of nearly 220 million in 2017. According to statistics from the Korean Film Council, the total number of moviegoers in South Korea in 2017 increased 3 million as compared to last year. Korean films comprise 53% of the South Korean film sector, continuing their streak of holding on to a majority market share for 7 consecutive years.¹ The average South Korean watches four films of which two are foreign films and the other two being local films in cinemas.² In 2017, the top 50 movies of the South Korean film market reported a US\$1.2 billion in gross box office revenue and 169.4 million in total admissions. These figures are at similar levels as compared to last year.

The Group's manhunt thriller movie, *GOLDEN SLUMBER*, starring Gang Dong-won and Han Hyo-joo, was released on 14 February 2018. The film is produced by Zip Cinema and distributed by CJ Entertainment. The total production budget (including prints and advertising costs) for *GOLDEN SLUMBER* is approximately KRW 10.5 billion (US\$9.7 million).

Following *GOLDEN SLUMBER*, Zip Cinema will be producing a Korean financial crisis movie, *SOVEREIGN DEFAULT*, starring top Korean actors Yoo Ah-in, who is managed by the Group's associated company, Spackman Media Group Limited ("**SMGL**") and Kim Hye-soo. The film, also distributed by CJ Entertainment, commenced filming at the end of 2017 and is targeted to open in Korean theatres in the second half of 2018. The estimated total production budget (including prints and advertising costs) for *SOVEREIGN DEFAULT* is tentatively set at approximately KRW 9.7 billion (or US\$8.6 million).

On 20 November 2017, the Group invested US\$450,000 into an upcoming fantasy film *NOW I WILL MEET YOU*, starring leading Korean actors Son Ye-jin and So Ji Sub, who are both managed by SMGL. The film is set to release on White Day, 14 March 2018. The Group will continue to seek more opportunities to collaborate with SMGL's artists in creating and participating in quality content projects.

The Group expects that both its wholly-owned subsidiaries, Studio Take Co., Ltd. ("**Studio Take**"), acquired on 27 October 2017, and Frame Pictures, acquired on 31 March 2017, are on track to deliver a healthy pipeline of quality projects that will strategically add accretive value to the Group going forward.

The Group has been preparing to enter into the Korean drama series production and is presently looking out for more opportunities to foray into this business segment in order to capitalize on the rising popularity of Korean drama in Southeast Asia.

The Group and its 33.76% 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 of material developments in any of such discussions, as and when appropriate.

(Source: Korean Film Council)

¹Yonhap News Agency, Cinema attendance hits record high in 2017:data
<http://english.yonhapnews.co.kr/news/2018/01/01/0200000000AEN20180101005400315.html>, January 2018

² Forbes, Could K-Film Ever Be As Popular As K-pop in Asia,
<https://www.forbes.com/sites/outofasia/2018/01/11/along-with-the-gods-could-k-film-ever-be-as-popular-as-k-pop-in-asia/#55ad83db3594>, January 2018

13. Dividend

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

No

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

No

(c) Date payable:

Not applicable.

(d) Books closure date:

Not applicable.

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

No dividend has been declared or recommended for FY2017.

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

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and conducted under shareholders' mandate pursuant to Rule 920) (S\$'000)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) (S\$'000)
Eugene Lee (Executive Director and Chief Producer of the Company)	251 ⁽¹⁾	Not applicable
Spackman Equities Group Inc.	129 ⁽²⁾	Not applicable

Note:

(1) Relates to a loan which was extended from the Company to Eugene Lee on 2 August 2017.

(2) Spackman Equities Group Inc. is a controlling shareholder of the Company with an approximate shareholding interest of 21.51% in the Company. This relates to the monthly rental payable under the lease agreement dated 28 December 2015 between the Company's wholly-owned subsidiary, Spackman Entertainment (HK) Limited (the "Lessor") and Spackman Equities Group Inc. (the "Lessee") for usage of office starting from 16 January 2016.

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

16. A breakdown of sales as follows:

	Group		
	FY2017 (Unaudited) US\$'000	FY2016 (Audited) US\$'000	Increase / (Decrease) %
(a) Sales reported for first half year	10,465	7,589	38
(b) Operating profit/(loss) after tax before deducting minority interests reported for first half year from continuing operations	4,430	(3,341)	NM
(c) Sales reported for second half year	10,087	7,546	34
(d) Operating (loss)/profit after tax before deducting minority interests reported for second half year from continuing operations	(1,118)	1,088	NM

NM – Not meaningful

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

No dividend has been declared or recommended for FY2017 and FY2016.

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

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

19. Use of Placement proceeds

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

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

Use of proceeds	Amount allocated (S\$’000)	Amount allocated after the Reallocation⁽³⁾ (S\$’000)	Amount utilized (S\$’000)	Balance (S\$’000)
<u>70% of net proceeds to be used for:</u> (A) New business investments and acquisitions	4,156	3,656	(2,655) ⁽¹⁾	1,001
<u>30% of net proceeds to be used for:</u> (B) General working capital	1,781	2,281	(1,746) ⁽²⁾	535
Total	5,937	5,937	(4,401)	1,536

Notes:

(1) Utilised for:

- Acquisition of Frame Pictures
- Acquisition of Take Pictures
- Acquisition of NSY Group Pte. Ltd., which owns Nunsongye
- Acquisition of Skin Inc
- Acquisition of Makers Studio

(2) Utilised for:

- Audit and professional fees (\$510,492);
- Personnel expenses (\$537,946);
- Rental expenses (\$448,766); and
- Others (\$248,804).

(3) The Company has reallocated \$500,000 allocated for new business investments and acquisitions to general working capital (“**Reallocation**”) as the Company has no immediate and definite plans to use the allocated net proceeds for new business investments and acquisitions. As such, the Company is of the view that the Reallocation would be more efficient and in the best interests of the Company and its shareholders for the time being.

20. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company confirms that undertakings have been procured from the Board of Directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1).

BY ORDER OF THE BOARD

Richard Lee

Interim CEO and Executive Director

Date: 28 February 2018

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 (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).