

spackmanentertainmentgroup

(Company Registration No.:201401201N)

Unaudited Financial Statement and Dividend Announcement For the Financial Year Ended 31 December 2016

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 2016 (Unaudited) US\$'000	31 December 2015 (Audited) US\$'000	Change %
Revenue	15,135	17,768	(15)
Cost of sales	(18,888)	(9,926)	90
Gross (loss)/profit	(3,753)	7,842	NM
Other income	8,373	716	NM
Selling expenses	(405)	(393)	3
General and administrative expenses	(5,363)	(5,633)	(5)
Finance costs	(121)	(76)	59
Other expenses	(752)	(4,823)	(84)
Share of results of associate	(166)	1,247	NM
Loss before tax	(2,187)	(1,120)	95
Tax credit/(expense)	130	(392)	NM
Loss from continuing operations	(2,057)	(1,512)	36
(Loss)/Profit from discontinued operation (net of tax)	(371)	239	NM
Loss for the year	(2,428)	(1,273)	91
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Share of other comprehensive income/(loss) of associates	22	(147)	NM
Currency translation difference arising from consolidation	(244)	(564)	(57)
Total comprehensive loss for the year	(2,650)	(1,984)	34
Loss for the year attributable to:			
Equity holders of the Company	(2,228)	(1,114)	100
Non-controlling interests	(200)	(159)	26
	(2,428)	(1,273)	91
Total comprehensive loss for the year attributable to:			
Equity holders of the Company	(2,431)	(1,706)	43
Non-controlling interests	(219)	(278)	(21)
	(2,650)	(1,984)	34

NM – Not meaningful

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

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

	Twelve Months Ended		Change %
	31 December 2016	31 December 2015	
	(Unaudited) US\$'000	(Audited) US\$'000	
Personnel expenses	2,496	3,192	(22)
Rent expense	887	746	19
Travel expense	148	100	48
Entertainment expense	145	178	(19)
Service expenses	741	843	(12)
Audit fee	227	175	30
Impairment loss on film production inventories	123	624	(80)
Impairment loss on investments	181	18	NM
Depreciation and amortization	208	125	66
Reversal of allowance of doubtful receivables	(31)	(32)	(3)
Profit on film distributable to external investor	603	4,199	(86)
Loss on film borne by external investors	(5,450)	-	NM
Gain on disposal of subsidiaries	(2,364)	-	NM
Interest expense	121	76	59
Interest income	(74)	(126)	(41)
Foreign exchange loss, net	45	274	(84)

NM – Not meaningful

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

	Twelve Months Ended		Change %
	31 December 2016	31 December 2015	
	(Unaudited) US\$'000	(Audited) US\$'000	
Personnel expenses	143	382	(63)
Rent expense	1	41	(98)
Travel expense	13	5	NM
Entertainment expense	44	105	(58)
Service expenses	55	196	(72)
Depreciation and amortization	5	20	(75)
(Reversal of allowance of doubtful receivables)/Allowance for doubtful receivables	(126)	316	NM
Interest income	(1)	(35)	(97)
Foreign exchange loss, net	3	3	-

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 2016 (Unaudited) US\$'000	31 December 2015 (Audited) US\$'000	31 December 2016 (Unaudited) US\$'000	31 December 2015 (Audited) US\$'000
Assets				
Investment in subsidiaries	-	-	16,245	16,245
Investment in associated company	3,433	3,577	3,298	2,477
Property, plant and equipment	3,080	3,338	12	14
Intangible assets	1,010	841	-	-
Film production inventories	355	1,762	-	-
Deferred tax assets	122	-	-	-
Long term investment	-	60	-	-
Non-current assets	8,000	9,578	19,555	18,736
Investments	3,630	6,887	-	-
Loan to a subsidiary	-	-	429	1,733
Trade and other receivables	4,442	21,109	399	159
Film production inventories	-	6,672	-	-
Inventories	74	3	-	-
Cash and cash equivalents	5,936	4,114	470	824
	14,082	38,785	1,298	2,716
Disposal group assets classified as held for sale	-	8,948	-	-
Current assets	14,082	47,733	1,298	2,716
Total assets	22,082	57,311	20,853	21,452
Liabilities				
Borrowings	1,903	1,962	-	-
Other non-current liabilities	136	39	-	-
Deferred tax liabilities	35	307	-	-
Non-current liabilities	2,074	2,308	-	-
Trade and other payables	2,972	15,705	181	163
Deferred revenue	2,649	3,833	-	-
Borrowings	41	3,123	-	-
Film obligation and production loans	912	10,226	-	-
Liabilities directly associated with disposal group classified as held for sale	-	5,421	-	-
Tax payables	153	-	-	-
Current liabilities	6,727	38,308	181	163
Total liabilities	8,801	40,616	181	163
Net assets	13,281	16,695	20,672	21,289
Share capital and reserves				
Share capital	25,019	25,019	25,019	25,019
Other reserves	(3,510)	(3,100)	-	-
Accumulated losses	(8,875)	(6,647)	(4,347)	(3,730)
Reserve of disposal group classified as held for sale	-	(207)	-	-
Equity attributable to equity holders of the Company, total	12,634	15,065	20,672	21,289
Non-controlling interests	647	1,630	-	-
Total equity	13,281	16,695	20,672	21,289

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 2016 (Unaudited)		As at 31 December 2015 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
-	41	3,123	-

Amount repayable after one year

As at 31 December 2016 (Unaudited)		As at 31 December 2015 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
1,903	-	1,962	-

Details of any collateral

The Group's secured portion of short-term borrowings as at 31 December 2015 was secured by the Korea Technology Credit Guarantee Fund and Korea Technology Finance Corporation and all long-term borrowings is secured over land and a building with carrying amounts of US\$2,894,854 as at 31 December 2016 (31 December 2015: US\$3,026,193).

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 2016	31 December 2015
	(Unaudited) US\$'000	(Audited) US\$'000
Operating activities		
Loss before income tax from continuing operations	(2,187)	(1,120)
(Loss)/profit before income tax from discontinued operation	(351)	436
Adjustments for:		
Depreciation of property, plant and equipment	209	138
Amortization of intangible assets	4	7
Interest income	(75)	(161)
Interest expense	121	76
Reversal of loss on film borne by external investors	25	-
Profit on film distributable to external investors	603	4,199
Share of results of associated company	166	(1,247)
Impairment loss on investments	181	18
Fair value gain on investment in mutual funds	-	(4)
Gain on disposition of investments	(19)	-
Allowance of doubtful receivables	11	328
Reversal of allowance for doubtful receivables	(168)	(44)
Property, plant and equipment written off	-	14
Impairment loss on film production inventories	123	624
Fair value gain on investment in insurance products	(1)	(2)
impairment loss on investment in theatrical film projects	469	-
Gain on disposal of subsidiaries	(2,364)	-
Loss on film borne by external investors	(5,450)	-
Loss on disposal of property, plant and equipment	34	-
Operating (loss)/profit before working capital changes	(8,669)	3,262
Working capital changes		
Investment in theatrical film projects, net	-	(39)
Inventories	(1)	5
Film production inventories	(606)	(6,254)
Receivables	26,456	(19,500)
Payables	(17,343)	6,127
Currency translation adjustments	(3)	(222)
Cash used in operations	(166)	(16,621)
Interest received	24	144
Income tax paid	(391)	(80)
Net cash used in operating activities	(533)	(16,557)
Investing activities		
Short term loans granted	(122)	(639)
Collection of short term loans	467	1,254
Purchases of property, plant and equipment	(174)	(2,783)
Proceeds from disposal of property, plant and equipment	68	-
Proceeds from intangible assets	29	-
Purchases of intangible assets	(7)	(6)
Acquisition of subsidiaries	-	(499)

	Group	
	12 Months Ended	
	31 December 2016	31 December 2015
	(Unaudited) US\$'000	(Audited) US\$'000
Net proceeds from disposal of subsidiaries	919	-
Acquisition of associates	-	(1,000)
Purchases of insurance products	-	(102)
Investment in short term investments	(2,418)	(3,281)
Proceeds from disposal of short term investments	2,317	989
Proceeds from disposal of long term investments	59	-
Net cash from/(used in) investing activities	1,138	(6,067)
Financing activities		
Repayment of loans	(2,336)	(430)
Additional loans	883	5,193
Additional film obligations and production loans	3,613	14,899
Payment of box office proceeds to investors	(2,432)	(2,803)
Interest paid	(163)	(134)
Net cash (used in)/from financing activities	(435)	16,725
Net change in cash and cash equivalents	170	(5,899)
Cash and cash equivalents at beginning of financial period	5,949	12,176)
Effect of exchange rate changes	(183)	(328)
Cash and cash equivalents at end of the financial period	5,936	5,949
Cash and cash equivalents comprise:		
(A) From continuing operations:		
Cash and bank balances	5,889	3,042
Money market funds	47	1,072
	5,936	4,114
(B) From discontinued operation:		
Cash and bank balances	-	1,835
	-	1,835

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

Statement of Changes in Equity

Group (unaudited)	← Attributable to equity holders of the Company →						
	Share capital	Other reserve	(Accumulated losses)/retained earnings	Reserve of disposal group classified as held for sale	Total	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 January 2016	25,019	(3,100)	(6,647)	(207)	15,065	1,630	16,695
Loss for the year	-	-	(2,228)	-	(2,228)	(200)	(2,428)
<i>Other comprehensive profit for the year</i>							
Disposal of a subsidiary	-	-	-	-	-	(764)	(764)
Share of foreign currency translation difference of associate	-	22	-	-	22	-	22
Currency translation difference on consolidation	-	(432)	-	207	(225)	(19)	(244)
	-	(410)	(2,228)	207	(2,431)	(983)	(3,414)
Balance as at 31 December 2016	25,019	(3,510)	(8,875)	-	12,634	647	13,281
Group (Audited)							
Balance as at 1 January 2015	24,428	(2,715)	(5,533)	-	16,180	1,244	17,424
Prior year adjustment	-	-	-	-	-	(115)	(115)
Loss for the year	-	-	(1,114)	-	(1,114)	(159)	(1,273)
<i>Other comprehensive profit for the year</i>							
Share of foreign currency translation difference of associate	-	(147)	-	-	(147)	-	(147)
Currency translation difference on consolidation	-	(445)	-	-	(445)	(119)	(564)
	-	(592)	(1,114)	-	(1,706)	(278)	(1,984)
<i>Transaction with equity holders of the Company</i>							
Reserve attributable to disposal group classified as held for sale	-	207	-	(207)	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	779	779
Shares issued for acquisition of a subsidiary	591	-	-	-	591	-	591
Balance as at 31 December 2015	25,019	(3,100)	(6,647)	(207)	15,065	1,630	16,695

Statement of Changes in Equity

Company (unaudited)	Share capital US\$'000	Accumulated losses US\$'000	Total US\$'000
Balance as at 1 January 2016	25,019	(3,730)	21,289
Loss for the year	-	(617)	(617)
Balance as at 31 December 2016	<u>25,019</u>	<u>(4,347)</u>	<u>20,672</u>
Company (Audited)			
Balance as at 1 January 2015	24,428	(2,185)	22,243
Issue of ordinary shares related to the acquisition of subsidiary	591	-	591
Loss for the year	-	(1,545)	(1,545)
Balance as at 31 December 2015	<u>25,019</u>	<u>(3,730)</u>	<u>21,289</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 also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.**

Shares Capital – Ordinary Shares

	<u>Number of shares</u>	<u>Issued and paid-up share capital</u>
Balance as at 31 December 2016	398,770,209	US\$25,019,233

The Company did not have any outstanding options, convertibles or treasury shares as at 31 December 2016 and 31 December 2015.

- (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 31 December 2016</u>	<u>As at 31 December 2015</u>
Total number of issued shares	398,770,209	398,770,209

The Company did not have any treasury shares as at 31 December 2016 and 31 December 2015.

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. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

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

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

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

Not applicable.

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

Save as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial year as those used in the most recently audited annual financial statements for the financial year ended 31 December 2015 ("FY2015").

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 year compared with the audited financial statements for FY2015, 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 2016. 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**

Loss per share ("LPS")	Group	
	Twelve Months Ended	
	31 December	31 December
	2016	2015
Loss attributable to shareholders of the Company (US\$)	2,228,314	1,114,077
Weighted average number of ordinary shares in issue	398,770,209	398,694,369
Basic and fully diluted basis LPS (US cents) ⁽¹⁾	0.56	0.28
Adjusted LPS (US cents) ⁽²⁾	0.56	0.28

Notes:

- (1) The basic and fully diluted basic LPS of the Group for the respective periods was calculated based on the weighted average number of ordinary shares in issue for the respective periods.
- (2) For comparative purposes, the adjusted LPS of the Group for the respective periods was calculated based on 398,770,209 ordinary shares in issue as at 31 December 2016.

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	31 December	31 December	31 December
	2016	2015	2016	2015
Net asset value (US\$)	13,281,452	16,694,988	20,671,704	21,289,207
Number of ordinary shares in issue	398,770,209	398,770,209	398,770,209	398,770,209
Net asset value per ordinary share (US\$)	0.033	0.042	0.052	0.053

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

FY2016 vs FY2015

Continuing operations

Revenue

The breakdown of revenue in FY2016 and FY2015 is as follows:

Source of revenue	Group		Change %
	FY2016 (Unaudited) US\$ million	FY2015 (Audited) US\$ million	
Production of films	10.59	0.97	NM
Distribution of films and others (*)	3.90	16.30	(76)
Restaurant sales and café lounge business	0.46	0.34	35
Photography	0.19	0.16	19
Total	15.14	17.77	(15)

NM – Not meaningful

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

Revenue decreased by approximately US\$2.63 million or 15% year-on-year (“YoY”) from US\$17.77 million in FY2015 to US\$15.14 million in FY2016. The decrease was mainly due to a decrease of US\$12.40 million from distribution of films which was primarily attributable to the lackluster performance of four films released during FY2016, namely *CHASING* (presented by Opus Pictures and produced by 3rd party), *MUSUDAN* (presented by Opus Pictures and produced by 3rd party), *ONE MORE TIME* (invested by Opus Pictures) and *LIFE RISKING ROMANCE* (co-presented by Novus Mediacorp). This was partially offset by an increase in revenue from production of films of US\$9.62 million.

In FY2016, the Group produced *MASTER* (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). *MASTER* generated production revenue of US\$9.28 million, however, the Group did not recognize any revenue from share of profit for acting as the producer in FY2016 due to the timing of its theatre release in December 2016. The Group’s upcoming manhunt thriller movie, *GOLDEN SLUMBER* (produced by Zip Cinema and presented by a third party, CJ E&M) which is currently under the production stage and is expected to be released in 2nd half of FY2017, generated production revenue of US\$1.31 million in FY2016. The Group also distributed several motion films including *THE PRIEST*, *CHASING*, *MUSUDAN*, *LIFE RISKING ROMANCE* and others, which generated distribution revenue of US\$3.90 million. In addition, US\$0.65 million of revenue was generated from restaurant sales from our café lounge business (US\$0.46 million) and photography services (US\$0.19 million).

In FY2015, the Group presented and produced *THE PRIEST* which generated revenue from film presentation and investment of US\$14.30 million (including the share of profit for acting as the producer of US\$3.13 million). The Group also distributed several motion films including *BIG MATCH*, *MY BRILLIANT LIFE*, *CONFESSION*, *FOR THE EMPEROR*, *WONDERS* and others, which generated revenue of US\$2.97 million. In addition, a total of US\$0.50 million in revenue was generated from restaurant sales from our café lounge business (US\$0.34 million) and photography services (US\$0.16 million).

Cost of sales

The breakdown of cost of sales in FY2016 and FY2015 is as follows:

	Group		Change %
	FY2016 (Unaudited) US\$ million	FY2015 (Audited) US\$ million	
Cost of sales			
Production of films	10.22	1.06	NM
Distribution of films and others (*)	8.53	8.75	(3)
Restaurant sales and café lounge business	0.14	0.12	17
Total	18.89	9.93	90

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

Cost of sales increased by US\$8.96 million or 90% YoY from US\$9.93 million in FY2015 to US\$18.89 million in FY2016, mainly attributable to the larger film production budget of *MASTER*, as compared to *THE PRIEST*.

In FY2016, *MASTER* incurred cost of sales of US\$9.01 million, attributable to the production of films. The Group's upcoming manhunt thriller movie, *GOLDEN SLUMBER* which was in the production stage, incurred cost of sales of US\$1.21 million in FY2016. Cost of sales of US\$8.53 million was attributable to the distribution of several motion films including *THE PRIESTS*, *CHASING*, *MUSUDAN*, *LIFE RISKING ROMANCE* and others. In addition, US\$0.14 million of cost of sales was incurred from the restaurant sales from our café lounge business.

In FY2015, *THE PRIEST* incurred cost of sales of US\$5.86 million, attributable to the distribution of films and others. Cost of sales of US\$2.89 million was attributable to the distribution of several motion films including *BIG MATCH*, *MY BRILLIANT LIFE*, *CONFESSION*, *FOR THE EMPEROR*, *WONDERS* and others. In addition, cost of sales of US\$0.12 million was incurred from restaurant sales from our café lounge business.

Gross (loss)/profit margin

The Group recorded a gross loss of US\$3.75 million in FY2016 as compared to a gross profit of US\$7.84 million in FY2015. The reversal from a gross profit margin of 44% recorded in FY2015 to a gross loss margin of 25% in FY2016 was mainly due to gross loss of US\$4.63 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*. In addition, the Group did not recognize any revenue from share of profit for acting as the producer in FY2016 for *MASTER* due to the timing of its theatre release.

Other income

Other income increased by US\$7.65 million from US\$0.72 million in FY2015 to US\$8.37 million in FY2016. The increase was mainly due to the gain on disposal of subsidiaries, Opus Pictures and UAA Korea Co. Ltd (“**UAA Korea**”), of US\$2.36 million (FY2015: nil) and the loss on film borne by external investors of US\$5.45 million (FY2015: nil). The loss on film borne by external investor in FY2016 was incurred due to the lackluster performance of *LIFE RISKING ROMANCE* (US\$3.67 million), *MUSUDAN* (US\$1.04 million) and *CHASING* (US\$0.74 million).

Selling expenses

There was no significant change in selling expenses (FY2016: US\$0.41 million, FY2015: US\$0.39 million).

General and administrative expenses

General and administrative expenses decreased by US\$0.27 million or 5% YoY from US\$5.63 million in FY2015 to US\$5.36 million in FY2016. The decrease was mainly due a decrease in personnel expenses of US\$0.69 million from US\$3.19 million in FY2015 to US\$2.50 million in FY2016, and partially offset by an increase in rent of US\$0.14 million from US\$0.75 million in FY2015 to US\$0.89 million in FY2016 and an increase in impairment loss on investments of US\$0.16 million from US\$0.02 million in FY2015 to US\$0.18 million in FY2016.

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 rent expense was mainly due to the Singapore office which opened from May 2015. The increase in impairment loss on investments was mainly due to an impairment loss from a film fund which Novus invested in.

Finance costs

Finance costs increased by US\$0.04 million or 59% YoY from US\$0.08 million in FY2015 to US\$0.12 million in FY2016 mainly due to an increase in the interest expenses on bank loans related to the construction of a building.

Other expenses

Other expenses decreased by US\$4.07 million or 84% YoY from US\$4.82 million in FY2015 to US\$0.75 million in FY2016. The decrease was mainly due to the followings:

- i) a decrease in the profit on film distributable to external investors by US\$3.60 million from US\$4.20 million in FY2015 to US\$0.60 million in FY2016 as majority of the profit on film distributable to external investors for *THE PRIEST* were recognized in FY2015; and
- ii) a decrease in impairment loss on film production inventories from several films under the development stage by US\$0.50 million from US\$0.62 million in FY2015 to US\$0.12 million in FY2016 as there were fewer films under development [] in FY2016 after the disposal of Opus Pictures.

Share of results of associate

The share of results of associate of a loss of US\$0.17 million in FY2016 (FY2015: a profit of US\$1.25 million) was attributable to the loss from the Company's 24.53% owned associated company, Spackman Media Group Limited ("**SMGL**").

In FY2016, the share of results of associate of a loss of US\$0.17 million was mainly attributable to:

- i) Share of loss of US\$0.33 million due to losses incurred from SMGPL's variety show production business through Delmedia Co., Ltd. (which is 99% owned by SMGPL, which was acquired by SMGL in July 2016 and was subsequently being fully disposed in July 2016, and its TV/media commercials and music video production business through Breakfastfilm Co., Ltd. (51% owned by SMGPL, which was acquired by SMGL in June 2016 and was subsequently being fully disposed in July 2016.
- ii) Partially offset by an increase in profit of US\$0.16 million primarily due to profit earned from its talent management business through MS Team Entertainment Co., Ltd., Kook Entertainment Co., Ltd, SBD Entertainment Inc., UL Entertainment Co., Ltd., UAA & Co Inc. and Fiftyone K Inc.

FY2015 recorded a profit of US\$1.25 million which was mainly due to a bargain purchase of associate of US\$1.71 million in FY2015 that resulted in the excess of the Group's share of net fair value assets of Spackman Media Group Pte. Ltd. ("**SMGPL**"), a newly acquired associate in FY2015, over the cost of investments on the acquisition date. Without the abovementioned one-off gain, share of results of associate would have recorded a loss of US\$0.46 million in FY2015 due to losses incurred from SMGPL through Delmedia Co., Ltd. and Breakfastfilm Co., Ltd.

Tax (expenses)/credit

The Group recorded tax credit of US\$0.13 million in FY2016 (FY2015: tax expenses of US\$0.39 million) as the recognition of deferred tax assets by Zip Cinema was higher than the tax expenses recognized by other subsidiaries in FY2016.

Loss before tax

As a result of the above, our loss before tax increased by US\$1.07 million or 95% YoY from a loss before tax of US\$1.12 million in FY2015 as compared to a loss before tax of US\$2.19 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 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**”).

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.

Pursuant to the completion of 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 (FY2015: a profit of US\$0.24 million).

Consolidated Statement of Financial Position

Non-current assets

The Group's non-current assets amounted to US\$8.00 million as at 31 December 2016. The decrease in non-current assets from US\$9.58 million as at 31 December 2015 was mainly due to:

- i) Decrease in film production inventories of US\$1.41 million mainly related to the disposal of Opus Pictures;
- ii) Decrease in investment in associates of US\$0.14 million due to the loss from the Company's 45.8% owned associate company, SMGPL which was subsequently being disposed of in May 2016;
- iii) Decrease in property, plant and equipment of US\$0.26 million due to the depreciation charged during FY2016;
- iv) Partially offset by an increase in intangible assets of US\$0.17 million due to payment made by Zip Cinema, for the copyright of an online movie game "*THE PRIEST*" which is currently in the developing stage; and
- v) Partially offset by an increase in deferred tax assets of US\$0.12 million due to unused tax losses recognized by Zip Cinema.

Current assets

The Group's current assets amounted to US\$14.08 million as at 31 December 2016. The decrease in current assets from US\$47.73 million as at 31 December 2015 was mainly due to:

- i) Decrease in trade receivables of US\$16.67 million mainly due to the collection of trade receivables related to *THE PRIESTS*;
- ii) Decrease in disposal group assets classified as held for sale of US\$8.95 million primarily attributable to the disposal of UAA Korea;
- iii) Decrease in film production inventories of US\$6.67 million mainly due to three films, *CHASING*, *MUSUDAN* and *LIFE RISKING ROMANCE*, which were released in FY2016;
- iv) Decrease in investments by US\$3.26 million mainly due to the disposal of Opus Pictures and disposal of film investment funds; and
- v) Partially offset by an increase in cash and cash equivalents of US\$1.82 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\$2.07 million as at 31 December 2016, a decrease of US\$0.24 million as compared with US\$2.31 million as at 31 December 2015 mainly due to the decrease in deferred tax liabilities as a result of realization of deferred tax liability of Zip Cinema.

Current liabilities

The Group's current liabilities amounted to US\$6.73 million as at 31 December 2016. The decrease in current liabilities from US\$38.31 million as at 31 December 2015 was mainly due to:

- i) a decrease in trade payables of US\$12.73 million mainly due to disposal of Opus Pictures which held US\$13.67 million of trade payables as at 31 December 2015;
- ii) a decrease in film obligations and production loans of US\$9.31 million mainly due to the repayments to investors of *THE PRIESTS*;
- iii) Decrease in liabilities directly associated with disposal group of US\$5.42 million primarily attributable to the disposal of UAA Korea;
- iv) a decrease in short term borrowings of US\$3.08 million held by Opus Pictures, mainly due to the disposal of Opus Pictures;
- v) a decrease in deferred revenue of US\$1.18 million mainly as the minimum guarantee received for the Group's sale of distribution rights in ancillary market of films were released to revenue from distribution of films; and
- vi) partially offset by an increase of US\$0.15 million in tax payables mainly due to chargeable income from Zip Cinema in FY2016.

Consolidated Statement of Cash Flow

As at 31 December 2016, the Group had cash and cash equivalents amounting to US\$5.94 million as compared to cash and cash equivalents amounting to US\$5.95 million as at 31 December 2015 (comprised of US\$4.11 million from continuing operations and US\$1.84 million from discontinued operations).

The significant cash movements during FY2016 as compared to FY2015 can be summarized as follows:

Net cash used in operating activities for FY2016 amounted to US\$0.53 million as compared to net cash used in operating activities of US\$16.56 million for FY2015. The cash flow used in operating activities for FY2016 was mainly due to the operating loss before working capital changes of US\$8.67 million and income tax paid of US\$0.39 million, offset by a net working capital inflows of US\$8.51 million mainly resulting from an increase in receivables of US\$26.46 million, offset by a decrease in payables of US\$17.34 million and a decrease in film production inventories of US\$0.61 million.

Cash flow generated from investing activities for FY2016 was US\$1.14 million as compared to cash flow used in investing activities of US\$6.07 million for FY2015. The cash flow generated from investing activities for FY2016 was mainly due to proceeds from disposal of short term investment of US\$2.32 million, proceeds from disposal of subsidiaries of US\$0.92 million and collection of short term loans of US\$0.47 million, offset by the increase in investment in short term investments of US\$2.42 million.

Cash flow used in financing activities was US\$0.44 million for FY2016 as compared to cash flow generated from financing activities of US\$16.73 million for FY2015. The cash used in financing activities in FY2016 was mainly due to the repayment of loans of US\$2.34 million and payment of box office proceeds to investors of US\$2.43 million, offset by the proceeds from additional film obligations and production loans of US\$3.61 million mainly for the production of *LIFE RISKING ROMANCE* and proceeds from additional loans of US\$0.88 million mainly for refinancing purposes by Opus Pictures.

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	
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015
	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million
Revenue	3.90	16.30	10.59	0.97	0.65	0.50	15.14	17.77
Cost of sales	(8.53)	(8.75)	(10.22)	(1.06)	(0.14)	(0.12)	(18.89)	(9.93)
Loss on film borne by external investor	5.45	-	-	-	-	-	5.45	-
Profit on film distribution to investors	(0.60)	(4.20)	-	-	-	-	(0.60)	(4.20)
Reversal of loss on film borne by external investor	(0.03)	-	-	-	-	-	(0.03)	-
Impairment loss on film production inventories	(0.12)	(0.62)	-	-	-	-	(0.12)	(0.62)
Segment gross results	0.07	2.73	0.37	(0.09)	0.51	0.38	0.95	3.02
Selling and general & administrative expenses	(1.45)	(5.42)	(3.94)	(0.32)	(0.24)	(0.17)	(5.63)	(5.91)
Segment net results	(1.38)	(2.69)	(3.57)	(0.41)	0.27	0.21	(4.68)	(2.89)
Unallocated other income:								
Other income							2.92	0.72
Unallocated expenses:								
Share of results of associate							(0.17)	1.25
Depreciation and amortization							(0.14)	(0.12)
Finance costs							(0.12)	(0.08)
Loss before tax							(2.19)	(1.12)
Tax expense							0.13	(0.39)
Loss for the year							(2.06)	(1.51)
Segment assets	0.55	25.26	1.48	1.49	0.09	0.30	2.12	27.05
Unallocated assets							19.96	30.26
Total assets							22.08	57.31
Segment liabilities	0.95	26.26	2.57	1.55	0.16	0.42	3.68	28.23
Unallocated liabilities							5.12	12.39
Total liabilities							8.80	40.62

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 FY2016 was mainly derived from the production of films, which made up 70% of the Group's revenue (FY2015: 5%), followed by revenue from distribution of films and others, which made up 26% of the Group's revenue (FY2015: 92%), which, on aggregate, made up 96% (FY2015: 97%) of the Group's revenue for FY2016.

The increase in revenue from the production of films from US\$0.97 million in FY2015 to US\$10.59 million in FY2016 was mainly attributable to *MASTER*, which was produced by Zip Cinema and presented by a third party, CJ E&M in FY2016.

The decrease in revenue from the distribution of films from US\$16.30 million in FY2015 to US\$3.90 million in FY2016 was primarily attributable to the lackluster performance of four films released during FY2016, namely *CHASING*, *MUSUDAN*, *ONE MORE TIME* and *LIFE RISKING ROMANCE*.

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 market remained relatively stable with a 1.6% increase in gross box office revenue to KRW 1.7 trillion (USD 1.5 billion) and a 0.1% year-on-year decrease in admissions to 217.0 million for 2016. According to the Korean Film Council, admissions for local films increased 3.2% to 116.6 million in 2016 compared to the previous year. The market share for local films increased 1.7% year-on-year to 53.7%.

On 9 September 2016, the Group's associated company, Spackman Media Group Limited ("**SMGL**") completed the acquisition of 100.0% shareholding interest in a renowned Korean talent management agency for a purchase consideration of cash, newly issued shares of SMGL and SMGL's entire 51.0% interest in Breakfastfilm Co., Ltd. As a result, the Group's shareholding interest in SMGL decreased from 27.2% to 24.5%.

On 21 December 2016, *MASTER*, a crime-action movie starring Lee Byung-hun, Gang Dong-won and Kim Woo-bin, opened #1 at the Korean box office with the highest December opening in history. The film, which was produced by the Group's indirect wholly-owned subsidiary ZIP Cinema Co., Ltd ("**Zip Cinema**"), recorded over 7.1 million tickets and grossed over KRW 58.0 billion (USD 50.4 million) in South Korea. *MASTER* was presold to more than 30 countries including the United States, Canada, Australia, New Zealand, Italy, Taiwan, Hong Kong, Singapore, Thailand and Philippines.

The Group expects results from *MASTER* to be likely reflected in the first quarter of FY2017 as the film was first screened near the end of December 2016.

The Group's upcoming manhunt thriller movie, *GOLDEN SLUMBER*, starring Gang Dong-won and Han Hyo-joo, commenced filming and is slated to be released in the second half of FY2017. The film is produced by Zip Cinema and distributed by CJ Entertainment.

The Group and its 24.5% 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/>, January 2017)

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 FY2016.

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

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

The aggregate value of interest person transactions during FY2016 is as follows:

Name of interested person	Aggregate value of all interested person transactions for FY2016 (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S\$'000	Aggregate value of all interested person transactions for FY2016 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) S\$'000
Spackman Equities Group Inc. ⁽¹⁾	146 ⁽²⁾	Not applicable

Notes:

- (1) Spackman Equities Group Inc. is a controlling shareholder of the Company with an approximate shareholding interest of 38.40% in the Company.
- (2) 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.

16. A breakdown of sales as follows:

	Group		
	FY2016 (Unaudited) US\$'000	FY2015 (Audited) US\$'000	Increase / (Decrease) %
(a) Sales reported for first half year	7,589	6,276	21
(b) Operating loss after tax before deducting minority interests reported for first half year from continuing operations	(3,341)	(2,886)	16
(c) Sales reported for second half year	7,546	11,492	(34)
(d) Operating profit after tax before deducting minority interests reported for second half year from continuing operations	1,284	1,374	(7)

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:

	FY2016 S\$'000	FY2015 S\$'000
(a) Ordinary	-	-
(b) Preference	-	-
Total	-	-

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. 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

Charles Choi Spackman

Executive Chairman

Date: 24 February 2017

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"), for compliance with the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.

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

The contact person for the Sponsor is Ms. Keng Yeng Pheng, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.