

spackmanentertainmentgroup

(Company Registration No.:201401201N)

Unaudited Financial Statement and Dividend Announcement For the Financial Year Ended 31 December 2019

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 2019 (Unaudited) US\$'000	31 December 2018 (Audited) US\$'000	Change %
Revenue	20,276	21,674	(6)
Cost of sales	(13,550)	(13,904)	(3)
Gross profit	6,726	7,770	(13)
Other income	439	639	(31)
Interest income	142	92	54
Expenses			
Selling expenses	(655)	(686)	(5)
General and administrative expenses	(7,005)	(8,026)	(13)
Finance costs – Borrowings	(214)	(259)	(17)
Finance costs – Leases ¹	(78)	-	NM
Other expenses	(1,682)	(756)	NM
Share of results of an associate	(201)	(174)	16
Loss before tax	(2,528)	(1,400)	81
Tax expense	(347)	(324)	7
Loss for the year	(2,875)	(1,724)	67
Other comprehensive loss			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Currency translation difference arising from consolidation	(281)	(505)	(44)
Share of other comprehensive loss of associated company	(217)	(231)	(6)
Total comprehensive loss for the year	(3,373)	(2,460)	37
Loss for the year attributable to:			
Equity holders of the Company	(2,597)	(2,137)	22
Non-controlling interests	(278)	413	NM
	(2,875)	(1,724)	67
Total comprehensive loss for the year attributable to:			
Equity holders of the Company	(3,025)	(2,832)	7
Non-controlling interests	(348)	372	NM
	(3,373)	(2,460)	37

NM – Not meaningful

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

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

	Twelve Months Ended		
	31 December 2019	31 December 2018	
	(Unaudited) US\$'000	(Audited) US\$'000	Change %
Personnel expenses	2,820	2,898	(3)
Travel expense	171	247	(31)
Entertainment expense	368	345	7
Rental expense	175	1,234	(86)
Service expenses	1,370	1,861	(26)
Depreciation			
- Property, plant and equipment	1,188	2,015	(41)
- Right-of-use assets ¹	942	-	NM
Amortisation	494	576	(14)
Interest income	142	92	54
Loss on disposal of property, plant and equipment	1	228	(100)
Fair value loss with respect to financial assets at FVTPL	85	293	(71)
Impairment of goodwill	1,246	-	NM
Allowance for impairment for receivables	148	570	(74)
Foreign exchange loss, net	138	45	NM

Note:

(1) With effect from financial year beginning 1 January 2019, the Group has adopted SFRS (I) 16 Leases using the modified retrospective approach as of 1 January 2019 with no restatement of comparative information.

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 2019 (Unaudited) US\$'000	31 December 2018 (Audited) US\$'000	31 December 2019 (Unaudited) US\$'000	31 December 2018 (Audited) US\$'000
Assets				
Investment in subsidiaries	-	-	33,044	38,668
Investment in associated company	21,372	21,687	20,108	20,244
Property, plant and equipment	6,759	7,227	27	44
Right-of-use assets	1,500	-	645	-
Intangible assets	19,020	18,840	-	-
Film production inventories	1,830	1,190	-	-
Deferred tax assets	352	329	-	-
Trade and other receivables	720	784	-	-
Financial assets at fair value through profit or loss	1,096	1,273	374	460
Non-current assets	52,649	51,330	54,198	59,416
Financial assets at fair value through profit or loss	4,138	4,597	-	-
Loan to a subsidiary	-	-	168	1,409
Trade and other receivables	6,282	5,427	1,002	726
Contract assets	2,004	2,038	-	-
Film production inventories	1,406	1,402	-	-
Inventories	9	9	-	-
Cash and cash equivalents	4,212	2,744	148	285
Current assets	18,051	16,217	1,318	2,420
Total assets	70,700	67,547	55,516	61,836
Liabilities				
Borrowings ¹	2,833	3,321	3,287	-
Other non-current liabilities	203	84	-	-
Contract liabilities	1,326	599	-	-
Deferred tax liabilities	1,202	1,324	-	-
Non-current liabilities	5,564	5,328	3,287	-
Trade and other payables	3,892	2,739	383	337
Contract liabilities	2,427	2,901	-	-
Borrowings ¹	5,771	1,717	603	1,413
Film obligation and production loans	388	441	-	-
Tax payables	376	293	-	-
Current liabilities	12,854	8,091	986	1,750
Total liabilities	18,418	13,419	4,273	1,750
Net assets	52,282	54,128	51,243	60,086

	Group		Company	
	31 December 2019 (Unaudited) US\$'000	31 December 2018 (Audited) US\$'000	31 December 2019 (Unaudited) US\$'000	31 December 2018 (Audited) US\$'000
Share capital and reserves				
Share capital	66,198	64,411	66,198	64,411
Treasury shares	(465)	(205)	(465)	(205)
Other reserves	(2,757)	(2,329)	-	-
Accumulated losses	(11,492)	(8,895)	(14,490)	(4,120)
Equity attributable to equity holders of the Company, total	51,484	52,982	51,243	60,086
Non-controlling interests	798	1,146	-	-
Total equity	52,282	54,128	51,243	60,086

Note:

(1) As at 31 December 2019, borrowings comprise of non-current lease liabilities of US\$0.54 million and current lease liabilities of US\$0.91 million following the adoption of SFRS(I) 16 Leases on 1 January 2019.

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 2019 (Unaudited)		As at 31 December 2018 (Audited)	
Secured US\$'000	Unsecured ¹ US\$'000	Secured US\$'000	Unsecured US\$'000
2,772	2,999	1,277	440

Amount repayable after one year

As at 31 December 2019 (Unaudited)		As at 31 December 2018 (Audited)	
Secured US\$'000	Unsecured ¹ US\$'000	Secured US\$'000	Unsecured US\$'000
1,969	864	2,334	987

Details of any collateral

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

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

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

Consolidated Statement of Cash Flows

	Group	
	12 Months Ended	
	31 December	31 December
	2019	2018
	(Unaudited)	(Audited)
	US\$'000	US\$'000
Operating activities		
Loss before income tax	(2,528)	(1,400)
Adjustments for:		
Depreciation of property, plant and equipment	1,188	2,015
Depreciation of right-of-use assets	942	-
Amortisation of intangible assets	494	576
Interest income	(142)	(92)
Dividend income	-	(11)
Interest expense from borrowings	214	259
Interest expense from lease liabilities	78	-
Loss on disposal of property, plant and equipment	-	228
Impairment of goodwill	1,246	-
Impairment loss on film production inventories	28	31
Impairment loss on investments	184	-
Fair value loss with respect to financial assets at FVTPL	85	293
Allowance for doubtful receivables	148	570
Reversal of loss on film borne by external investors	2	6
Share of results of associated company	201	174
Fair value gain on investments	(22)	(3)
Gain on disposal of short-term investments	(170)	(21)
Gain on disposal of film ancillary rights	-	(171)
Operating profit before working capital changes	1,948	2,454
Working capital changes		
Change in operating assets and liabilities, net of effects from acquisition of subsidiaries		
Inventories	-	(2)
Investment in theatrical film projects, net	-	(213)
Film production inventories	(313)	(358)
Receivables and contract assets	(561)	1,351
Payables and contract liabilities	1,426	(3,292)
Currency translation adjustments	149	(152)
Cash generated from/(used in) operations	2,649	(212)
Interest received	115	92
Income tax paid	(408)	(496)
Net cash generated from/(used in) operating activities	2,356	(616)

	Group	
	12 Months Ended	
	31 December 2019	31 December 2018
	(Unaudited)	(Audited)
	US\$'000	US\$'000
Investing activities		
Short term loans granted	(3,122)	(906)
Collection of short-term loans	2,934	701
Purchases of property, plant and equipment	(972)	(2,318)
Proceeds from disposal of property, plant and equipment	-	129
Purchases of intangible assets	(286)	(43)
Acquisition of a subsidiary, net cash acquired	20	474
Purchases of investments	(2,456)	(492)
Proceeds from disposal of investments	2,511	481
Dividend received	-	11
Net cash used in investing activities	(1,371)	(1,963)
Financing activities		
Repayment of lease liabilities	(999)	-
Repayment of borrowings	(3,833)	(1,579)
Proceeds from borrowings	5,638	1,201
Proceeds from film obligations and production loans	-	6,481
Repayment of film obligations and production loans	(53)	(6,117)
Advances received from staff	-	418
Repayment of advances received from staff	-	(826)
Purchase of treasury shares	(260)	(71)
Interest expense from borrowings paid	(215)	(259)
Interest expense from lease liabilities paid	(45)	-
Net cash generated from/(used in) financing activities	233	(752)
Net change in cash and cash equivalents	1,218	(3,331)
Cash and cash equivalents at beginning of financial year	2,744	6,237
Effect of exchange rate changes	250	(162)
Cash and cash equivalents at end of the financial year	4,212	2,744

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

Statement of Changes in Equity

Group (unaudited)	← Attributable to equity holders of the Company →					Non-controlling interests	Total equity
	Share capital	Treasury shares	Other reserve	Accumulated losses	Total		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 January 2019	64,411	(205)	(2,329)	(8,895)	52,982	1,146	54,128
Loss for the year	-	-	-	(2,597)	(2,597)	(278)	(2,875)
<u>Other comprehensive loss for the year</u>							
Share of other comprehensive loss of associated company	-	-	(217)	-	(217)	-	(217)
Currency translation difference on consolidation	-	-	(211)	-	(211)	(70)	(281)
	-	-	(428)	-	(428)	(70)	(498)
Share issued for acquisition of a subsidiary	1,787	-	-	-	1,787	-	1,787
Purchase of treasury shares	-	(260)	-	-	(260)	-	(260)
Balance as at 31 December 2019	66,198	(465)	(2,757)	(11,492)	51,484	798	52,282
Group (Audited)							
Balance as at 1 January 2018 as previously stated	37,461	(134)	(2,296)	(6,096)	28,935	774	29,709
Impact on adoption of SFRS(I)1	-	-	662	(662)	-	-	-
Prior year adjustments	(294)	-	-	-	(294)	-	(294)
Balance as at 1 January 2018 as restated*	37,167	(134)	(1,634)	(6,758)	28,641	774	29,415
Loss for the year	-	-	-	(2,137)	(2,137)	413	(1,724)
<u>Other comprehensive loss for the year</u>							
Share of other comprehensive loss of associated company	-	-	(231)	-	(231)	-	(231)
Currency translation difference on consolidation	-	-	(464)	-	(464)	(41)	(505)
	-	-	(695)	-	(695)	(41)	(736)
Share issued for additional acquisition of associated company	27,244	-	-	-	27,244	-	27,244
Purchase of treasury shares	-	(71)	-	-	(71)	-	(71)
Balance as at 31 December 2018	64,411	(205)	(2,329)	(8,895)	52,982	1,146	54,128

Statement of Changes in Equity

Company (unaudited)	Share capital	Treasury shares	Accumulated losses	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 January 2019	64,411	(205)	(4,120)	60,086
Issue of ordinary shares	1,787	-	-	1,787
Loss for the year	-	-	(10,370)	(10,370)
Purchase of treasury shares	-	(260)	-	(260)
Balance as at 31 December 2019	66,198	(465)	(14,490)	51,243

Company (Unaudited)

Balance as at 1 January 2018 as previously stated	37,461	(134)	(2,895)	34,432
Prior year adjustments*	(294)	-	-	(294)
Balance as at 1 January 2018, as restated*	37,167	(134)	(2,895)	34,138
Loss for the year	-	-	(1,225)	(1,225)
Issue of ordinary shares	27,244	-	-	27,244
Purchase of treasury shares	-	(71)	-	(71)
Balance as at 31 December 2018	64,411	(205)	(4,120)	60,086

* The consolidated statement of financial position as at 1 January 2018 have been restated as a result of the adoption of the Singapore Financial Reporting Standards (International) ("SFRS(I)"). With the completion of Purchase Price Allocation (PPA) exercise in accordance with SFRS(I) 3 Business Combinations, the provisional goodwill relating to the acquisition of Take Pictures Pte. Ltd. ("**Take Pictures**") has been revised for the recognition of the fair value adjustment to the purchase consideration and the customer relationship recorded in the "Intangible assets" account of Take Pictures. Consequently, adjustments were made to the intangible assets and share capital in the balance sheet of the Group and the cost of investment and share capital in the balance sheet of the Company as at 1 January 2018.

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

Shares Capital – Ordinary Shares	Issued of shares	Issued and paid-up share capital
Balance as at 1 October and 31 December 2019	1,205,614,708	US\$66,197,553

Treasury shares	Number of shares	Amount
Balance as at 1 October 2019	9,649,100	US\$338,543
Purchase of treasury shares ⁽¹⁾	12,000,000	US\$126,483
Balance as at 31 December 2019	21,649,100	US\$465,026

Notes:

(1) The Company purchased an aggregate of 12,000,000 treasury shares by way of market acquisition between 23 December 2019 and 24 December 2019.

The Company did not have any outstanding options or convertibles as at 31 December 2019 and 31 December 2018.

There were 21,649,100 treasury shares, representing 1.83% of the total number of outstanding shares in issue (excluding treasury shares) of 1,183,965,608 as at 31 December 2019. There were 3,449,100 treasury shares, representing 0.33% of the total number of outstanding shares in issue (excluding treasury shares) of 1,037,165,608 as at 31 December 2018.

There were also no subsidiary holdings as at 31 December 2019 and 31 December 2018.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year

	As at 31 December 2019	As at 31 December 2018
Total number of issued shares excluding treasury shares	1,183,965,608	1,037,165,608

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

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

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

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

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

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

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

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

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

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

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

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

Not applicable. The Company's auditors did not express a modified opinion on the Group's latest audited financial statements for the financial year ended 31 December 2018.

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 2018 (“FY2018”).

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

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting financial year as that of the audited financial statements for the year ended 31 December 2018, except for the adoption of new/revised SFRS(I) applicable for the financial period beginning 1 January 2019 as follows:

SFRS(I) 16 Leases

SFRS(I) 16 Leases replaces the existing SFRS (I) 1-17: Leases. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their statements of financial position to reflect their rights of use leased assets (a “ROU” asset) and the associated obligations for lease payments (a lease liability), within limited exemptions for short term leases (less than 12 months) and leases of low value items. In addition, the nature of expenses related to those leases will change as SFRS(I) 16 Leases replaces straight-line operating lease expense with depreciation charge of right-of-use asset and interest expense on lease liability. The accounting for lessors will not change significantly. The Group has adopted SFRS(I) 16 Leases using the modified retrospective approach as of 1 January 2019 with no restatement of comparative information. On 1 January 2019, the Group recognised right-of-use assets and lease liabilities of US\$2.32 million.

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

	Group	
	12 months ended	
Loss per share (“LPS”)	31 December 2019	31 December 2018
Loss attributable to shareholders of the Company (US\$)	(2,597,104)	(2,136,866)
Weighted average number of ordinary shares in issue	1,088,656,019	790,637,355
Basic and fully diluted basis LPS (US cents) ^{(1) (2)}	(0.24)	(0.27)
Adjusted LPS (US cents) ⁽³⁾	(0.22)	(0.21)

Notes:

- (1) The basic and fully diluted basic LPS of the Group for the respective periods was calculated based on the weighted average number of ordinary shares in issue for the respective periods.
- (2) The basic and fully diluted basic LPS are the same as there were no potentially dilutive ordinary shares in existence during the respective periods.
- (3) For comparative purposes, the adjusted LPS of the Group for the respective periods was calculated based on 1,183,965,608 ordinary shares in issue (excluding treasury shares) as at 31 December 2019.

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

	Group		Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Net asset value (US\$)	52,281,408	54,127,990	51,243,179	60,086,351
Number of ordinary shares in issue (excluding treasury shares)	1,183,965,608	1,037,165,608	1,183,965,608	1,037,165,608
Net asset value per ordinary share (US\$)	0.044	0.052	0.043	0.058

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 year 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 year reported on.**

Consolidated Statement of Comprehensive Income

Revenue

Twelve months ended 31 December 2019 ("FY2019") vs Twelve months ended 31 December 2018 ("FY2018")

The breakdown of revenue in FY2019 and FY2018 is as follows:

Source of revenue	Group	
	FY2019 (Unaudited) US\$ million	FY2018 (Audited) US\$ million
Production of films	12.39	8.79
Distribution of films and others	3.82	6.41
Leasing of equipment	2.20	4.14
Sales of content	0.49	0.29
Consulting services	0.52	0.63
Restaurant sales and café lounge business	0.39	0.44
Photography	0.10	0.11
Others	0.37	0.86
Total	20.28	21.67

Revenue decreased by 6% year-on-year ("YoY") to US\$20.28 million in FY2019, mainly due to the followings:

- (i) decrease in distribution of films and others of US\$2.59 million in FY2019 mainly due to lower sales of distribution rights / video on demand sales (the "**Post-Theatrical sales**") for the post-theatrical market in Korea for *LONG LIVE THE KING* of US\$2.39 million and *MY FIRST CLIENT* of US\$0.78 million in FY2019 as opposed to post-theatrical sales for the post-theatrical market in Korea for *THE OUTLAWS* (co-presented by the Company's 51%-owned subsidiary, Novus Mediacorp Co., Ltd. "**Novus**") of US\$6.28 million in FY2018; and
- (ii) decrease of US\$1.94 million from leasing of equipment to third parties by Frame Pictures Co., Ltd. ("**Frame Pictures**").

The decrease was partially offset by an increase in revenue from production of films of US\$3.60 million, mainly due to the followings:

- (i) recognition of the share of profit for acting as the producer for *DEFAULT* and *CRAZY ROMANCE* of US\$1.86 million and US\$1.63 million respectively in FY2019 as compared to the share of profit for acting as the producer for *DEFAULT* of US\$0.83 million in FY2018; and
- (ii) *GUARDIAN* (produced by the Company's wholly owned subsidiary, Studio Take Co., Ltd ("**Studio Take**") of US\$1.11 million based on costs incurred relative to total expected costs in FY2019.

Cost of sales

FY2019 vs FY2018

The breakdown of cost of sales in FY2019 and FY2018 is as follows:

	Group	
	FY2019 (Unaudited) US\$ million	FY2018 (Audited) US\$ million
Cost of sales		
Production of films	8.83	7.75
Distribution of films and others	3.17	4.54
Leasing of equipment	0.95	0.91
Sales of content	0.26	0.19
Consulting services	0.08	-
Restaurant sales and café lounge business	0.18	0.17
Others	0.08	0.34
Total	13.55	13.90

Cost of sales decreased by 3% YoY to US\$13.55 million in FY2019, mainly due to a decrease of US\$1.37 million from distribution of films and others in relation to absence of the copyright fee of *THE OUTLAWS* of US\$4.54 million in FY2018, partially offset by the copyright fee of *LONG LIVE THE KING* and *MY FIRST CLIENT* of US\$2.25 million and US\$0.59 million incurred respectively in FY2019. Novus owns the distribution rights of *LONG LIVE THE KING* and *MY FIRST CLIENT* for the post-theatrical market in Korea.

The decrease was partially offset by an increase of US\$1.08 million from production of films mainly due to higher production costs incurred in FY2019 for *#ALONE*, *CRAZY ROMANCE* and *GUARDIAN* of US\$5.26 million, US\$1.96 million and US\$1.10 million respectively as compared to the production costs that were incurred in FY2018 for *DEFAULT*, *GOLDEN SLUMBER* and *CRAZY ROMANCE* of US\$3.10 million, US\$2.87 million and US\$1.43 million respectively.

Gross profit

FY2019 vs FY2018

The Group recorded a lower gross profit of US\$6.73 million in FY2019 as compared to a gross profit of US\$7.77 million in FY2018 mainly due to the followings:

- (i) lower gross profit from leasing of equipment to third parties by Frame Pictures in FY2019 of US\$1.25 million as opposed to US\$3.23 million in FY2018; and
- (ii) lower post-theatrical gross profit from *LONG LIVE THE KING* and *THE FIRST CLIENT* of US\$0.14 million and US\$0.19 million respectively in FY2019 as opposed to a gross profit of US\$1.74 million from *THE OUTLAWS* in FY2018.

This was partially offset by an increase in gross profit from production of films mainly due to the recognition of share of profit for acting as the producer for *DEFAULT* and *CRAZY ROMANCE* of US\$1.86 million and US\$1.63 million respectively in FY2019 as compared to the share of profit for acting as the producer for *DEFAULT* and *MASTER* of US\$0.83 million and US\$0.29 million respectively in FY2018.

Other income

FY2019 vs FY2018

Other income decreased by 31% YoY from US\$0.64 million in FY2018 to US\$0.44 million in 2019 mainly due to absence of a reversal of film obligation and production loan of US\$0.17 million in FY2018.

General and administrative expenses

FY2019 vs FY2018

General and administrative expenses decreased by 13% YoY to US\$7.01 million in FY2019, mainly due to lower operating costs which is in line with the lower revenue in FY2019.

Other expenses

FY2019 vs FY2018

Other expenses increased by US\$0.93 million to US\$1.68 million in FY2019, mainly due to goodwill impairment for Frame Pictures and Greenlight Content Limited. ("**Greenlight Content**") of US\$0.75 million and US\$0.50 million respectively in FY2019.

Share of results of associate

FY2019 vs FY2018

The share of results of associate of a loss of US\$0.20 million in FY2019 (FY2018: a loss of US\$0.17 million) was mainly attributable to the loss from Spackman Media Group Limited ("**SMGL**") of US\$0.19 million due to the occasional seasonality of the artists' content projects performed. There were lesser major entertainment content projects that were recognised over the contractual period in FY2019.

Tax expense

FY2019 vs FY2018

The Group recorded tax expense of US\$0.35 million in FY2019 (FY2018: US\$0.32 million) mainly due to taxable earnings generated by Zip Cinema Co., Ltd. ("**Zip Cinema**") in FY2019. Taxable earnings generated by Zip Cinema in FY2019 was mainly attributable to the recognition of share of profit for acting as the producer for *DEFAULT* and *CRAZY ROMANCE* of US\$1.86 million and US\$1.63 million respectively.

Loss before tax

FY2019 vs FY2018

As a result of the above, the Group recorded a loss before tax of US\$2.53 million in FY2019 as compared to a loss before tax of US\$1.40 million in FY2018.

Consolidated Statement of Financial Position

Non-current assets

The Group's non-current assets amounted to US\$52.65 million as at 31 December 2019. The increase in non-current assets from US\$51.33 million as at 31 December 2018 was mainly due to:

- i) increase in intangible assets of US\$0.18 million mainly attributable to provisional goodwill of US\$1.44 million arising from the acquisition of Simplex Films Limited ("**Simplex**") and was partially offset by goodwill impairment for Frame Pictures and Greenlight Content of US\$0.75 million and US\$0.50 million respectively in FY2019;
- ii) increase in ROU assets by US\$1.50 million following the adoption of SFRS(I) 16 Leases on 1 January 2019; and
- iii) increase in film production inventories of US\$0.64 million mainly due to the acquisition of Simplex which contributed US\$0.39 million.

The increase is partially offset by the following:

- i) decrease in investment in associated company of US\$0.32 million mainly attributable to the share of losses of US\$0.30 million from SMGL;
- ii) decrease in property, plant and equipment of US\$0.47 million mainly attributable to the depreciation charged during the year.

Current assets

The Group's current assets amounted to US\$18.05 million as at 31 December 2019. The increase in current assets from US\$16.22 million as at 31 December 2018 was mainly due to:

- i) increase in cash and cash equivalents of US\$1.47 million, mainly due to the reasons as explained under the discussion for the "Consolidated Statement of Cash Flow" below; and
- ii) increase in trade and other receivables of US\$0.86 million, mainly due to an increase in advance payment of US\$0.90 million in relation to film and TV drama projects.

Non-current liabilities

The Group's non-current liabilities amounted to US\$5.56 million as at 31 December 2019. The slight increase in non-current liabilities from US\$5.33 million as at 31 December 2018 was mainly due to an increase in contract liabilities by US\$0.73 million in relation to advance received for future production of movies. The increase was partially offset by a decrease in borrowings of US\$0.49 million mainly attributable to reclassifications to short-term borrowings.

Current liabilities

The Group's current liabilities amounted to US\$12.85 million as at 31 December 2019. The increase in current liabilities from US\$8.09 million as at 31 December 2018 was mainly due to an increase in borrowings of US\$4.05 million for the purpose of working capital and following the adoption of SFRS (I) 16 Leases, increase in trade and other payables of US\$1.15 million mainly in relation to costs payable to copyright supplier of *THE OUTLAWS* of US\$0.14 million and costs payable to KTH Corp., investor of *GUARDIAN* (produced by Studio Take) of US\$0.62 million, and the acquisition of Simplex which contributed US\$0.15 million.

Consolidated Statement of Cash Flow

As at 31 December 2019, the Group had cash and cash equivalents amounting to US\$4.21 million as compared to cash and cash equivalents amounting to US\$2.74 million as at 31 December 2018.

The significant cash movements during FY2019 as compared to FY2018 can be summarised as follows:

Cash flow generated from operating activities for FY2019 amounted to US\$2.36 million as compared to cash used in operating activities of US\$0.62 million for FY2018. The cash flow generated from operating activities for FY2019 was mainly due to operating profit before working capital changes of US\$1.95 million, an increase in payables and contract liabilities of US\$1.43 million, and partially offset by an increase in receivables and contract assets of US\$0.56 million and income tax paid of US\$0.41 million.

Cash flow used in investing activities for FY2019 was US\$1.37 million as compared to cash flow used in investing activities of US\$1.96 million for FY2018. The cash flow used in investing activities for FY2019 was mainly due to purchase of property, plant and equipment of US\$0.97 million, short term loans granted of US\$3.12 million and purchase of investment of US\$2.46 million, and partially offset by collection of short-term loans of US\$2.93 million and proceeds from disposal of investments of US\$2.51 million mainly attributable to the proceeds from the investment in television drama project *TERIUS BEHIND ME* by Greenlight Content of US\$1.69 million.

Cash flow generated from financing activities was US\$0.23 million for FY2019 as compared to cash flow used in financing activities of US\$0.75 million for FY2018. The cash generated from financing activities in FY2019 was mainly due to proceeds from borrowings of US\$5.64 million for working capital purpose, and partially offset by repayment of borrowings of US\$3.83 million, repayment of lease liabilities of US\$1.0 million and interest paid of US\$0.26 million.

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

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

10. Segment information

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

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

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

	Distribution of films		Production of films		Leasing of equipment		Others		Total	
In US\$' million	FY2019	FY2018	FY2019	FY2018	FY2019	FY2018	FY2019	FY2018	FY2019	FY2018
Revenue	3.82	6.41	12.39	8.79	2.20	4.14	1.87	2.33	20.28	21.67
Cost of sales	(3.17)	(4.54)	(8.83)	(7.75)	(0.95)	(0.91)	(0.60)	(0.70)	(13.55)	(13.90)
Share of results of associated companies	-	-	-	-	-	-	(0.20)	(0.17)	(0.20)	(0.17)
Loss on disposal of property, plant and equipment	-	-	-	-	-	(0.23)	-	-	-	(0.23)
Impairment loss on film production inventories	-	(0.03)	-	-	-	-	-	-	-	(0.03)
Reversal of loss on film borne by external investors	-	(0.01)	-	-	-	-	-	-	-	(0.01)
Segment gross results	0.65	1.83	3.56	1.04	1.25	3.00	1.07	1.46	6.53	7.33
Selling and general & administrative expenses	(1.14)	(2.36)	(3.69)	(3.24)	(0.65)	(1.53)	(0.56)	(0.86)	(6.04)	(7.99)
Segment net results	(0.49)	(0.53)	(0.13)	(2.20)	0.60	1.47	0.51	0.60	0.49	(0.66)
Unallocated other income:										
Other income and gains									0.44	0.64
Interest income									0.14	0.09
Unallocated expenses:										
Depreciation and amortisation									(1.62)	(0.72)
Other expenses									(1.69)	(0.49)
Finance costs									(0.29)	(0.26)
Loss before tax									(2.53)	(1.40)
Tax expense									(0.35)	(0.32)
Loss for the period									(2.88)	(1.72)
Segment assets	1.42	7.34	5.68	10.05	2.20	4.74	13.24	2.67	22.54	24.80
Unallocated assets									48.16	42.75
Total assets									70.70	67.55
Segment liabilities	0.98	0.72	3.17	0.98	1.60	0.46	0.49	1.54	6.24	3.70
Unallocated liabilities									12.18	9.72
Total liabilities									18.42	13.42

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 FY2019 was mainly derived from the production of films and others, which made up 61% of the Group's revenue (FY2018: 41%) and revenue from distribution of films, which made up 19% of the Group's revenue (FY2018: 30%), which, on aggregate, made up 80% (FY2018: 71%) of the Group's revenue for FY2019.

The increase in revenue from the production of films from US\$8.79 million in FY2018 to US\$12.39 million in FY2019 was primarily attributable to a higher share of profit for acting as the producer for *DEFAULT* and *CRAZY ROMANCE* in FY2019 and the percentage-of-completion for movies produced in FY2019 was higher as compared to FY2018.

The decrease in revenue from the distribution of films from US\$6.41 million in FY2018 to US\$3.82 million in FY2019 was mainly attributable to the absence of the post-theatrical sales for *THE OUTLAWS*.

The decrease in leasing of equipment of US\$1.94 million in FY2019 was contributed by Frame Pictures.

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.

Film Production

The Group's romantic comedy film, *CRAZY ROMANCE*, produced by the Group's indirect wholly-owned subsidiary, Zip Cinema, recorded nearly three million tickets at the Korean box office since its theatrical debut on 2 October 2019. Starring well-known actor, Kim Rae-won, and popular actress, Gong Hyo-jin, the movie surpassed its break-even point within eight days as Korea's best romance film of 2019. *CRAZY ROMANCE*, which was presented and distributed by Next Entertainment World, was exported to 22 countries including Singapore, Malaysia, Vietnam, Cambodia, Taiwan, Philippines, Hong Kong, Macau, Australia and New Zealand.

Following *CRAZY ROMANCE*, Zip Cinema's next major film, with the working title *#ALONE*, is expected to be released in 2020. The tentative production budget of *#ALONE* is set at KRW9.8 billion (or US\$8.1 million), including prints and advertising costs of KRW2.6 billion (or US\$2.1 million). Headlined by top leading actor Yoo Ah-in of UAA & Co Inc., a subsidiary of the Group's associated company SMGL, and popular actress Park Shin-hye, *#ALONE* is based on an original scenario by Hollywood writer Matt Taylor, who produced the American documentary series, *SMALL BUSINESS REVOLUTION: MAIN STREET*.

Founded by veteran movie producer Song Dae Chan, Studio Take, the Group's indirect wholly-owned subsidiary, is expected to release its first production, a human drama film with the working title *STONE SKIPPING*, in Korea in 2020. The tentative production budget of *STONE SKIPPING* stands at KRW1.5 billion (or US\$1.2 million), including prints and advertising costs of KRW500 million (or US\$410,779). Studio Take's second production is an upcoming Korean film with the working title, *GUARDIAN*. The tentative production budget of *GUARDIAN* amounts to KRW10.5 billion (or US\$8.6 million), including prints and advertising costs of KRW2.5 billion (or US\$2.1 million).

The Group also owns a 20% equity interest in The Makers Studio, which plans to produce and release four upcoming films, the first of which will be *THE ISLAND OF THE GHOST'S WAIL*, a comedy horror film with a tentative production budget of KRW4.5 billion (or US\$3.7 million), including prints and advertising costs of KRW1.5 billion (or US\$1.2 million). The film is expected to be released in 2020.

Spackman Media Group Limited

The Group and its 43.88% associated company, SMGL, have been exploring collaboration with and discussing potential equity investment from certain potential strategic investors regarding transactions that may or may not involve the sale of a portion of the shares of SMGL owned by the Company. The Group shall keep shareholders updated of material developments in any of such discussions, as and when appropriate.

Presently, the Group does not foresee any significant risk to its operations in view of the current COVID-19 situation. However, should there be any material impact to the Group as the COVID-19 situation progresses, the Group shall make the appropriate announcements to keep shareholders abreast of such developments, if any, as and when necessary.

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) Record date:

Not applicable.

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

No dividend has been declared or recommended for FY2019. The available fund will be retained for working capital use.

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

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

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and conducted under shareholders' mandate pursuant to Rule 920) (S\$'000)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) (S\$'000)
Eugene Lee (Executive Director and Chief Producer of the Company)	724 ⁽¹⁾	Not applicable

Note:

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

15. A breakdown of sales as follows:

	Group		
	FY2019 (Unaudited) US\$'000	FY2018 (Audited) US\$'000	Increase / (Decrease) %
(a) Sales reported for first half year	7,075	12,175	(42)
(b) Operating loss after tax before deducting minority interests reported for first half year from continuing operations	(271)	(916)	(70)
(c) Sales reported for second half year	13,201	9,499	(39)
(d) Operating loss after tax before deducting minority interests reported for second half year from continuing operations	(2,604)	(808)	NM

NM – Not meaningful

16. 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 FY2019 and FY2018.

17. 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.

18. 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).

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).

20. Negative Confirmation by the Board Pursuant to Rule 705(5)

The Board of Directors of the Company confirms that, to the best of their knowledge, nothing has come to their attention which may render the unaudited financial results for the 12 months financial periods ended 31 December 2019 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

John Ko, Jihwan

CEO

Date: 28 February 2020

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

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

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