

# spackmanentertainmentgroup

(Company Registration No.:201401201N)

## Unaudited Financial Statement and Dividend Announcement For the Three Months Ended 31 March 2018

### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

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

	Group Three Months Ended		
	31 March 2018 (Unaudited) US\$'000	31 March 2017 (Unaudited) US\$'000	Change %
	Revenue	10,511	8,028
Cost of sales	(7,445)	(4,169)	79
Gross profit	3,066	3,859	(21)
Other income	156	3,155	(95)
Selling expenses	(172)	(114)	51
General and administrative expenses <sup>(1)</sup>	(1,940)	(1,009)	92
Finance costs	(36)	(12)	NM
Other expenses	(4)	(240)	(98)
Share of results of associate	(13)	(174)	(93)
<b>Profit before tax</b>	<b>1,057</b>	<b>5,465</b>	<b>(81)</b>
Tax expense	(445)	(774)	(43)
<b>Profit for the period</b>	<b>612</b>	<b>4,691</b>	<b>(87)</b>
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Other comprehensive income of associated company	6	120	(95)
Currency translation difference arising from consolidation	48	575	(92)
<b>Total comprehensive profit for the period</b>	<b>666</b>	<b>5,386</b>	<b>(88)</b>
<b>Profit for the period attributable to:</b>			
Equity holders of the Company	322	4,793	(93)
Non-controlling interests	290	(102)	NM
	612	4,691	(87)
<b>Total comprehensive profit for the period attributable to:</b>			
Equity holders of the Company	371	5,437	(93)
Non-controlling interests	295	(51)	NM
	666	5,386	(87)

(1) Certain expenses were incorporated within general and administrative expenses in three months ended 31 March 2017. 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 three months ended 31 March 2017 of the Group.

NM – Not meaningful

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

Profit for the period was stated after charging/(crediting) the followings:

	Three Months Ended		Change %
	31 March 2018 (Unaudited) US\$'000	31 March 2017 (Unaudited) US\$'000	
Personnel expenses	665	532	25
Rent expense	318	212	50
Travel expense	45	44	2
Entertainment expense	106	40	NM
Service expenses	517	185	NM
Impairment loss on film production inventories	-	25	NM
Depreciation and amortization	325	43	NM
Gain on disposal of associate	-	(2,985)	NM
Interest expense	36	12	NM
Interest income	(21)	(9)	NM
Foreign exchange gain, net	(48)	(109)	(56)

NM – Not meaningful

**1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year**

	Group		Company	
	31 March 2018 (Unaudited) US\$'000	31 December 2017 (Audited) US\$'000	31 March 2018 (Unaudited) US\$'000	31 December 2017 (Audited) US\$'000
<b>Assets</b>				
Investment in subsidiaries	-	-	35,778	23,008
Investment in associated company	13,657	9,303	11,816	8,955
Property, plant and equipment	7,767	7,125	12	11
Intangible assets	14,850	5,780	-	-
Film production inventories	1,079	748	-	-
Deferred tax assets	132	131	-	-
Long term trade and other receivables	898	838	-	-
Long term investment	789	786	460	460
<b>Non-current assets</b>	<b>39,172</b>	<b>24,711</b>	<b>48,066</b>	<b>32,434</b>
Investments	5,574	5,879	-	-
Loan to a subsidiary	-	-	1,325	1,179
Trade and other receivables	7,131	8,734	598	545
Film production inventories	1,070	820	-	-
Inventories	1,205	7	-	-
Cash and cash equivalents	5,977	6,237	200	764
<b>Current assets</b>	<b>20,957</b>	<b>21,677</b>	<b>2,123</b>	<b>2,488</b>
<b>Total assets</b>	<b>60,129</b>	<b>46,388</b>	<b>50,189</b>	<b>34,922</b>
<b>Liabilities</b>				
Borrowings	3,186	2,940	-	-
Other non-current liabilities	78	73	-	-
Deferred tax liabilities	487	466	-	-
<b>Non-current liabilities</b>	<b>3,751</b>	<b>3,479</b>	<b>-</b>	<b>-</b>
Trade and other payables	4,513	8,382	437	490
Deferred revenue	685	681	-	-
Borrowings	1,582	1,252	-	-
Film obligation and production loans	2,970	2,579	-	-
Tax payables	622	306	-	-
<b>Current liabilities</b>	<b>10,372</b>	<b>13,200</b>	<b>437</b>	<b>490</b>
<b>Total liabilities</b>	<b>14,123</b>	<b>16,679</b>	<b>437</b>	<b>490</b>
<b>Net assets</b>	<b>46,006</b>	<b>29,709</b>	<b>49,752</b>	<b>34,432</b>
<b>Share capital and reserves</b>				
Share capital	53,092	37,461	53,092	37,461
Treasury shares	(134)	(134)	(134)	(134)
Other reserves	(2,247)	(2,296)	-	-
Accumulated losses	(5,774)	(6,096)	(3,206)	(2,895)
Equity attributable to equity holders of the Company, total	44,937	28,935	49,752	34,432
Non-controlling interests	1,069	774	-	-
<b>Total equity</b>	<b>46,006</b>	<b>29,709</b>	<b>49,752</b>	<b>34,432</b>

## 1(b)(ii) Aggregate amount of group's borrowings and debt securities

### Amount repayable in one year or less, or on demand

As at 31 March 2018 (Unaudited)		As at 31 December 2017 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
1,521	61	1,252	-

### Amount repayable after one year

As at 31 March 2018 (Unaudited)		As at 31 December 2017 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
3,186	-	2,940	-

### Details of any collateral

The Group's short term borrowing of US\$93,765 is secured over a credit guarantee by Korea Credit Guarantee Fund ("KCGF"), short-term borrowings of US\$215,659 is secured over a mortgage of the land and a building with carrying amounts of US\$3,161,553 (31 December 2017: US\$3,165,233), short term borrowings of US\$917,128 are finance lease liabilities, of which the carrying value of equipment under finance lease agreements are US\$ 1,040,868 (31 December 2017: US\$1,036,107) and the remaining short-term borrowings of US\$294,421 is secured over a personal guarantee by a subsidiary's chief executive officer.

The Group's long-term borrowing of US\$1,940,928 is secured over a mortgage of the land and a building with carrying amounts of US\$3,161,553 (31 December 2017: US\$3,165,233), long-term borrowing of US\$1,057,306 are finance lease liabilities, of which the carrying value of equipment under finance lease agreements are US\$ 1,040,868 (31 December 2017: US\$1,036,107) and the remaining long-term borrowings of US\$187,529 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	
	Three Months Ended	
	31 March 2018	31 March 2017
	(Unaudited) US\$'000	(Unaudited) US\$'000
<b>Operating activities</b>		
Profit before income tax	1,057	5,465
Adjustments for:		
Depreciation of property, plant and equipment	278	43
Amortization of intangible assets	47	-
Interest income	(21)	(9)
Interest expense	36	12
Share of results of associated company	13	174
Allowance for doubtful receivables	1	-
Impairment loss on film production inventories	-	25
Fair value loss on investment in insurance products	-	15
Gain on disposal of associate	-	(2,985)
Loss on disposition of investment	-	185
Reversal of loss on film borne by external investors	2	-
<b>Operating profit before working capital changes</b>	<b>1,413</b>	<b>2,925</b>
<b>Working capital changes</b>		
Inventories	2	(8)
Film production inventories	183	(142)
Receivables	1,729	(3,046)
Payables	(4,210)	(847)
Currency translation adjustments	44	(108)
Cash used in operations	(839)	(1,226)
Interest received	18	5
Income tax paid	(239)	-
<b>Net cash used in operating activities</b>	<b>(1,060)</b>	<b>(1,221)</b>
<b>Investing activities</b>		
Short term loans granted	(5)	(8)
Collection of short term loans	65	388
Purchases of property, plant and equipment	(883)	(19)
Acquisition of a subsidiary, net cash acquired	427	50
Acquisition of associated company	-	(115)
Investment in securities	-	(355)
Investment in project	-	(39)
Proceeds from disposal of securities	249	-
Proceeds from disposal of investment in project	93	173
Purchases of long term investments	(14)	(13)
<b>Net cash (used in)/generated from investing activities</b>	<b>(68)</b>	<b>62</b>
<b>Financing activities</b>		
Repayment of loans	(135)	(343)
Additional loans	688	22
Proceeds from film obligations and production loans, net	373	-
Issuance of shares	-	4,257

	<b>Group</b>	
	<b>Three Months Ended</b>	
	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>(Unaudited) US\$'000</b>	<b>(Unaudited) US\$'000</b>
Interest paid	(36)	(12)
<b>Net cash generated from financing activities</b>	<b>890</b>	<b>3,924</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(238)</b>	<b>2,765</b>
Cash and cash equivalents at beginning of financial period	6,237	5,936
Effect of exchange rate changes	(22)	290
<b>Cash and cash equivalents at end of the financial period</b>	<b>5,977</b>	<b>8,991</b>
<b>Cash and cash equivalents comprise:</b>		
Cash and bank balances	5,977	8,991
	<b>5,977</b>	<b>8,991</b>

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

**Statement of Changes in Equity**

Group (unaudited)	← Attributable to equity holders of the Company →				Total	Non-controlling interests	Total equity
	Share capital	Treasury shares	Other reserve	Accumulated losses			
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Balance as at 1 January 2018</b>	37,461	(134)	(2,296)	(6,096)	28,935	774	29,709
Profit for the period	-	-	-	322	322	290	612
<i>Other comprehensive profit for the period</i>							
Share of foreign currency translation difference of associate	-	-	6	-	6	-	6
Currency translation difference on consolidation	-	-	43	-	43	5	48
	-	-	49	322	371	295	666
Share issued for acquisition of a subsidiary	12,770	-	-	-	12,770	-	12,770
Share issued for additional acquisition of associated company	2,861	-	-	-	2,861	-	2,861
Others							
<b>Balance as at 31 March 2018</b>	<b>53,092</b>	<b>(134)</b>	<b>(2,247)</b>	<b>(5,774)</b>	<b>44,937</b>	<b>1,069</b>	<b>46,006</b>
<b>Group (unaudited)</b>							
<b>Balance as at 1 January 2017</b>	25,019	-	(3,386)	(9,072)	12,561	648	13,209
Profit for the period	-	-	-	4,793	4,793	(102)	4,691
<i>Other comprehensive profit for the period</i>							
Share of foreign currency translation difference of associate	-	-	120	-	120	-	120
Currency translation difference on consolidation	-	-	524	-	524	51	575
	-	-	644	4,793	5,437	(51)	5,386
Share issued for public placement	4,257	-	-	-	4,257	-	4,257
Share issued for additional acquisition of associated company	3,037	-	-	-	3,037	-	3,037
Others	-	-	5	-	5	-	5
<b>Balance as at 31 March 2017</b>	<b>32,313</b>	<b>-</b>	<b>(2,737)</b>	<b>(4,279)</b>	<b>25,297</b>	<b>597</b>	<b>25,894</b>

## Statement of Changes in Equity

Company (unaudited)	Share capital	Treasury shares	Accumulated losses	Total
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Balance as at 1 January 2018</b>	37,461	(134)	(2,895)	34,432
Share issued for acquisition of a subsidiary	12,770	-	-	12,770
Share issued for additional acquisition of associated company	2,861	-	-	2,861
Loss for the period	-	-	(311)	(311)
<b>Balance as at 31 March 2018</b>	<b>53,092</b>	<b>(134)</b>	<b>(3,206)</b>	<b>49,752</b>

### Company (Unaudited)

<b>Balance as at 1 January 2017</b>	25,019	-	(4,347)	20,672
Share issued for public placement	4,257	-	-	4,257
Share issued for additional acquisition of associated company	3,037	-	-	3,037
Profit for the period	-	-	2,659	2,659
<b>Balance as at 31 March 2017</b>	<b>32,313</b>	<b>-</b>	<b>(1,688)</b>	<b>30,625</b>



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

Shares Capital – Ordinary Shares	Number of shares		Amount	
	Issued share capital	Treasury shares	Issued and paid-up share capital	Treasury shares
<b>Balance as at 1 January 2018</b>	517,169,516	(1,699,100)	US\$37,461,301	(US\$134,041)
<b>Issuance of consideration shares for acquisition of an associate <sup>(1)</sup></b>	32,432,432	-	US\$2,860,801	-
<b>Issuance of shares for acquisition of a subsidiary <sup>(2)</sup></b>	144,770,861	-	US\$12,769,954	-
<b>Balance as at 31 March 2018</b>	694,372,809	(1,699,100)	US\$53,092,056	(US\$134,041)

Notes:

(1) The Company had on 25 January 2018 issued and allotted 32,432,432 new ordinary shares of the Company in relation to the acquisition of an additional 3.01% equity interest in Spackman Media Group Limited (“SMGL”)

(2) The Company had on 25 January 2018 issued and allotted 144,770,861 new ordinary shares of the Company in relation to the acquisition of 100% equity interest in Constellation Agency Pte. Ltd.

The Company did not have any outstanding options or convertibles as at 31 March 2018 and 31 March 2017.

There were 1,699,100 treasury shares (representing 0.24% of the Company’s 694,372,809 ordinary shares) as at 31 March 2018. There were no treasury shares as at 31 March 2017.

There were no subsidiary holdings as at 31 March 2018 and 31 March 2017.

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

	As at 31 March 2018	As at 31 December 2017
<b>Total number of issued shares excluding treasury shares</b>	692,673,709	515,470,416

- 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 2017 ("FY2017").

- 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 FY2017, 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 2018. The adoption of these new and revised FRS and INT FRS did not result in any substantial change to the Group's and the Company's accounting policies and has no significant impact on the financial statements for the current financial period.

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

	Group	
	Three Months Ended	
	31 March 2018	31 March 2017
<b>Earnings per share ("EPS")</b>		
Profit attributable to shareholders of the Company (US\$)	322,874	4,792,778
Weighted average number of ordinary shares in issue	645,419,498	405,910,375
Basic and fully diluted basis EPS (US cents) <sup>(1)(2)</sup>	0.05	1.18
Adjusted EPS (US cents) <sup>(3)</sup>	0.05	1.04

Notes:

- (1) The basic and fully diluted basic EPS of the Group for the respective periods was calculated based on the weighted average number of ordinary shares in issue for the respective periods.
- (2) The basic and fully diluted basic EPS are the same as there were no potentially dilutive ordinary shares in existence during the respective periods.
- (3) For comparative purposes, the adjusted EPS of the Group for the respective periods was calculated based on 692,673,709 ordinary shares in issue (excluding treasury shares) as at 31 March 2018.

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

	Group		Company	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
	Net asset value (US\$)	46,006,465	29,709,053	49,751,920
Number of ordinary shares in issue (excluding treasury shares)	692,673,709	515,470,416	692,673,709	515,470,416
Net asset value per ordinary share (US\$)	0.066	0.058	0.072	0.067

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss: -**

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Consolidated Statement of Comprehensive Income (three months ended 31 March 2018 (“Q1 2018”) vs three months ended 31 March 2017 (“Q1 2017”))

**Revenue**

The breakdown of revenue in Q1 2018 and Q1 2017 is as follows:

<b>Source of revenue</b>	<b>Group</b>	
	<b>Q1 2018 (Unaudited) US\$ million</b>	<b>Q1 2017 (Unaudited) US\$ million</b>
Production of films	3.72	3.84
Distribution of films and others (*)	4.89	4.05
Leasing of equipment	1.02	-
Sales of content	0.30	-
Consulting services	0.24	-
Restaurant sales and café lounge business	0.09	0.11
Photography	0.02	0.03
Others	0.23	-
<b>Total</b>	<b>10.51</b>	<b>8.03</b>

NM – Not meaningful

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

Revenue increased by 31% year-on-year (“YoY”) to US\$10.51 million in Q1 2018, mainly due to the followings:

- (i) an increase of US\$0.84 million from distribution of films and others mainly due to the recognition of the sales of distribution rights / video on demand sales (“the **Post-Theatrical 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\$4.52 million in Q1 2018, as opposed to the recognition of the share of profit for acting as the producer for *MASTER* of US\$3.45 million and return on investment as a passive investor for *MASTER* of US\$0.03 million in Q1 2017;
- (ii) an increase of US\$1.02 million from leasing of equipment to third parties by Frame Pictures Co., Ltd. (“**Frame Pictures**”) which was acquired on 31 March 2017; and
- (iii) the acquisition of Constellation Agency Pte. Ltd. (“**Constellation**”) on 25 January 2018 resulted in an increase of US\$0.30 million in sales of content, US\$0.20 million in consulting services and US\$0.18 million in others. Others mainly comprised of revenue from the production of commercial films.

## Cost of sales

The breakdown of cost of sales in Q1 2018 and Q1 2017 is as follows:

	Group	
	Q1 2018 (Unaudited) US\$ million	Q1 2017 (Unaudited) US\$ million
<b>Cost of sales</b>		
Production of films	3.68	3.68
Distribution of films and others (*)	3.42	0.47
Sales of content	0.17	-
Restaurant sales and café lounge business	0.03	0.02
Others	0.14	-
<b>Total</b>	<b>7.44</b>	<b>4.17</b>

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

Cost of sales increased by 79% YoY to US\$7.44 million in Q1 2018, mainly due to the followings:

- (i) an increase of US\$2.95 million from distribution of films and others mainly due to the copyright fee of *THE OUTLAWS* of US\$3.40 million in Q1 2018, as opposed to the distribution of several motion films by Novus of US\$0.47 million in Q1 2017; and
- (iv) the acquisition of Constellation resulted in an increase of US\$0.17 million in the cost of sales of content and US\$0.13 million in others. Others mainly comprised of costs of sales incurred from the production of commercial films.

## Gross profit

The Group recorded a gross profit of US\$3.07 million in Q1 2018 as compared to a gross profit of US\$3.86 million in Q1 2017, mainly because there was an absence of share of profit for acting as the producer for *MASTER* of US\$3.45 million and return of investment as a passive investor for *MASTER* of US\$0.03 million in Q1 2017. This was partially offset by:

- (i) gross profit of US\$1.12 million from distributing *THE OUTLAWS* in Q1 2018;
- (ii) gross profit of US\$1.02 million from leasing of equipment to third parties by Frame Pictures in Q1 2018; and
- (iii) newly acquired wholly owned subsidiary, Constellation which contributed US\$0.38 million to the gross profit in Q1 2018.

## Other income

Other income decreased by 95% YoY from US\$3.16 million in Q1 2017 to US\$0.16 million in Q1 2018 mainly because there was an absence of non-recurring gain of US\$2.99 million in Q1 2017 on partial disposal of 497,250 shares of the Company's associated company, SMGL, as part of the purchase consideration of the acquisition of Frame Pictures.

## General and administrative expenses

General and administrative expenses increased by 92% YoY from US\$1.01 million in Q1 2017 to US\$1.94 million in Q1 2018 mainly due to the acquisition of Frame Pictures which resulted

in an increase in depreciation and amortization, service fee and rental expenses.

### **Other expenses**

Other expenses decreased by 98% YoY from US\$0.24 million in Q1 2017 to US\$3,503 in Q1 2018 mainly because there was an absence of non-recurring expense of US\$0.19 million in Q1 2017 in relation to the loss on disposal from film investment fund.

### **Share of results of associate**

The share of results of associate of a loss of US\$0.01 million in Q1 2018 (Q1 2017: US\$0.17 million) was attributable to the loss from SMGL. In Q1 2018, the share of results of associate of a loss of US\$0.01 million was mainly attributable to losses of US\$0.04 million incurred by SMGL and Spackman Media Group Pte. Ltd. (“**SMGPL**”) due to finance expenses, general and administrative expenses incurred. This was partially offset by profit of US\$0.03 million generated from SMGL’s talent management business through MS Team Entertainment Co., Ltd., Fiftyone K Inc., UAA & Co Inc., Kook Entertainment Co., Ltd. and SBD Entertainment Inc.

### **Tax expense**

The Group recorded tax expense of US\$0.45 million in Q1 2018 (Q1 2017: tax expense of US\$0.77 million) mainly due to taxable earnings generated by Novus in Q1 2018. Taxable earnings generated by Novus in Q1 2018 was mainly attributable to the Post-Theatrical sales for the ancillary market in Korea for *THE OUTLAWS*.

### **Profit before tax**

As a result of the above, the Group recorded a profit before tax of US\$1.06 million in Q1 2018 as compared to a profit before tax of US\$5.47 million in Q1 2017.

## Consolidated Statement of Financial Position

### **Non-current assets**

The Group's non-current assets amounted to US\$39.17 million as at 31 March 2018. The increase in non-current assets from US\$24.71 million as at 31 December 2017 was mainly due to:

- i) Increase in investment in associated company of US\$4.35 million mainly due to additional acquisition of 920,000 shares in SMGL at a consideration of US\$2.86 million and an indirect increase in investment in SMGL by 500,000 shares, of US\$1.50 million via the acquisition of Constellation in Q1 2018; and
- ii) Increase in intangible assets of US\$9.07 million mainly attributable to goodwill of US\$9.09 million arising from the acquisition of Constellation.

### **Current assets**

The Group's current assets amounted to US\$20.96 million as at 31 March 2018. The decrease in current assets from US\$21.68 million as at 31 December 2017 was mainly due to:

- i) decrease in investments of US\$0.31 million mainly attributable to a decrease of US\$0.24 million for investment in short term fund;
- ii) decrease in trade and other receivables of US\$1.60 million, mainly due to collection of trade receivables related to the Post-Theatrical sales for *THE OUTLAWS* of US\$1.85 million, and partially offset by the acquisition of Constellation which contributed additional US\$0.28 million to trade and other receivables; and
- iii) Partially offset by an increase in inventories of US\$1.20 million mainly due to the acquisition of Constellation which contributed US\$1.20 million.

### **Non-current liabilities**

The Group's non-current liabilities amounted to US\$3.75 million as at 31 March 2018. The increase in non-current liabilities from US\$3.48 million as at 31 December 2017 was mainly due to an increase in finance lease liabilities of US\$0.24 million, which was solely contributed by Frame Pictures.

### **Current liabilities**

The Group's current liabilities amounted to US\$10.37 million as at 31 March 2018. The decrease in current liabilities from US\$13.20 million as at 31 December 2017 was mainly due to a decrease in trade and other payables of US\$3.87 million.

The decrease in trade and other payables mainly due to the partial settlement to costs payable to copyright supplier of *THE OUTLAWS* of US\$ 1.79 million and a decrease in advance received of US\$1.69 million. Advance received experienced a decrease as the production of movies, namely *GOLDEN SLUMBER* and *SOVEREIGN DEFAULT* progress over time. This is partially offset by:

- i) An increase in film obligation and production loans of US\$0.39 million mainly related to amount which were received from investors for *GOLDEN SLUMBER*;
- ii) An increase in borrowings of US\$0.33 million mainly due to additional finance lease liabilities of US\$0.27 million held by Frame Pictures; and
- iii) An increase in tax payables of US\$0.32 million mainly due to increase in chargeable

income from Novus in Q1 2018.

### Consolidated Statement of Cash Flow

As at 31 March 2018, the Group had cash and cash equivalents amounting to US\$5.98 million as compared to cash and cash equivalents amounting to US\$8.99 million as at 31 March 2017.

The significant cash movements during Q1 2018 as compared to Q1 2017 can be summarized as follows:

Net cash used in operating activities for Q1 2018 amounted to US\$1.06 million as compared to net cash used in operating activities of US\$1.22 million for Q1 2017. The cash flow used in operating activities for Q1 2018 was mainly due to a net working capital outflows of US\$2.25 million mainly resulting from a decrease in payables of US\$4.21 million, a decrease in receivables of US\$1.73 million and a decrease in film production inventories of US\$0.18 million, income tax paid of US\$0.24 million, partially offset by the operating profit before working capital changes of US\$1.41 million.

Cash flow used in investing activities for Q1 2018 was US\$0.07 million as compared to cash flow generated from investing activities of US\$0.06 million for Q1 2017. The cash flow used in investing activities for Q1 2018 was mainly due to purchases of property, plant and equipment of US\$0.88 million, partially offset by the cash inflow from acquisition of a subsidiary of US\$0.43 million, proceeds from disposal of securities of US\$0.25 million, and proceeds from disposal of investment in project of US\$0.09 million.

Cash flow generated from financing activities was US\$0.89 million for Q1 2018 as compared to cash flow generated from financing activities of US\$3.92 million for Q1 2017. The cash flow generated from financing activities in Q1 2018 was mainly due to proceeds from additional loans of US\$0.69 million and net proceeds from film obligations and production loans of US\$0.37 million which was received from investors for the production of *GOLDEN SLUMBER*, partially offset by the repayment of loans of US\$0.14 million.

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

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



## 10. Segment information

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

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

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

	Distribution of films		Production of films		Leasing of equipment		Others		Total	
	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017
<b>In US\$' million</b>										
Revenue	4.89	4.05	3.72	3.84	1.02	-	0.88	0.14	10.51	8.03
Cost of sales	(3.42)	(0.47)	(3.68)	(3.68)	-	-	(0.34)	(0.02)	(7.44)	(4.17)
Impairment loss on film production inventories	-	(0.02)	-	-	-	-	-	-	-	(0.02)
Gain on disposal of associated company	-	-	-	-	-	-	-	2.99	-	2.99
<b>Segment gross results</b>	<b>1.47</b>	<b>3.56</b>	<b>0.04</b>	<b>0.16</b>	<b>1.02</b>	<b>-</b>	<b>0.54</b>	<b>3.11</b>	<b>3.07</b>	<b>6.83</b>
Selling and general & administrative expenses	(0.84)	(0.67)	(0.64)	(0.62)	(0.17)	-	(0.15)	(0.02)	(1.80)	(1.31)
<b>Segment net results</b>	<b>0.63</b>	<b>2.89</b>	<b>(0.60)</b>	<b>(0.46)</b>	<b>0.85</b>	<b>-</b>	<b>0.39</b>	<b>3.09</b>	<b>1.27</b>	<b>5.52</b>
<b>Unallocated other income:</b>										
Other income									0.15	0.17
<b>Unallocated expenses:</b>										
Share of results of associate									(0.01)	(0.18)
Depreciation and amortization									(0.31)	(0.04)
Finance costs									(0.04)	(0.01)
<b>Profit before tax</b>									<b>1.06</b>	<b>5.46</b>
Tax expense									(0.45)	(0.77)
<b>Profit for the period</b>									<b>0.61</b>	<b>4.69</b>
<b>Segment assets</b>	<b>8.64</b>	<b>0.43</b>	<b>6.58</b>	<b>6.61</b>	<b>1.80</b>	<b>-</b>	<b>1.55</b>	<b>0.16</b>	<b>18.57</b>	<b>7.20</b>
Unallocated assets									41.56	31.39
Total assets									60.13	38.59
<b>Segment liabilities</b>	<b>2.60</b>	<b>0.30</b>	<b>1.98</b>	<b>4.54</b>	<b>0.55</b>	<b>-</b>	<b>0.47</b>	<b>0.11</b>	<b>5.60</b>	<b>4.95</b>
Unallocated liabilities									8.52	7.74
Total liabilities									14.12	12.69

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

Film Production & Film Investment

In terms of film production, the Group's indirect wholly-owned subsidiary, Zip Cinema Co., Ltd. ("**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, which is distributed by CJ Entertainment, is expected 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).

The Group's wholly-owned subsidiary, Take Pictures Pte. Ltd., which wholly-owns film production company Studio Take Co., Ltd., shall be producing an upcoming human drama movie with the working title, *DAMAGED*. The film has commenced filming and is slated to be released by the second half of 2018, subject to changes in final filming schedule.

The Makers Studio Co. Ltd., which the Group has invested in, plans to produce and release four films from 2018 to 2020, the first of which will be *THE ISLAND OF THE GHOST'S WAIL*, a comedy horror film with a tentative budget of KRW 3 billion (or US\$2.7 million), excluding prints and advertising costs. The film is slated to be released in the second half of 2019.

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 intends to form a strategic partnership with Mongjakso Co. Ltd., a Korean TV drama producer, to co-develop and co-produce TV dramas including upcoming drama, starring So Ji Sub of SMGL, which is scheduled to be released in the second half of 2018.

*BE WITH YOU* starring Korean icons Son Ye-jin and So Ji Sub, who are managed by SMGL, opened #1 at the Korean box office on the first of its wide release and broke the all-time first week box office historical record for romance film in Korea. The Group is one of the major investors of the film, which is co-presented by MS Team Entertainment Co., Ltd. and Fiftyone K Inc., wholly-owned subsidiaries of SMGL. This film serves as an exemplary project that enables the Group to benefit from a multitude of direct and indirect channels including investment return, artists fees, and co-presenting fees. The Group will continue to seek more opportunities to collaborate with SMGL's artists in creating and participating in quality content projects.

Post-theatrical & Camera Equipment Leasing

*THE OUTLAWS*, co-presented by the Group's 51%-owned subsidiary, Novus Mediacorp Co., Ltd. ("**Novus**"), broke the VOD sales records in Korea. Novus owns the distribution rights of the film for the ancillary market in Korea.

During April 2018, the Group's wholly-owned subsidiary, Frame Pictures Co., Ltd., a leading movie/drama equipment leasing player in Korea, secured KRW 1.1 billion (or US\$1.0 million) worth of camera equipment leasing contracts for 5 major Korean dramas, *LIVE, MY MISTER, SUITS, MISTRESS* and *LIFE*.

On 7 May 2018, the Group announced that it has engaged RHT Capital Pte. Ltd. as the financial adviser, issue manager and full sponsor for the Proposed Spin-off and Proposed listing of Novus and Frame Pictures. The Group believes that the separate listing of Novus and Frame Pictures shall enable the combined standalone entity to independently raise the capital necessary to unlock the full potential of its operations and projects, and to capitalize on the rapidly growing post-theatrical and camera equipment leasing markets. The Group will make the necessary announcements in relation to the Proposed Spin-off and Proposed

Listing of Novus and Frame Pictures. Accordingly, there is no assurance that the Proposed Spin-off and Proposed Listing will materialise.

#### Crypto-currency Plan

The Group announced that it entered into a non-binding memorandum of understanding with Project Talent, a Korean developer of crypto-currency, to develop the Group's own Korean entertainment utility tokens. It has also entered into a non-binding memorandum of understanding with SaltyCustoms, a leading brand in the custom apparel market, for the sale of merchandise based on the Group's artist and content projects. These partnerships present a unique opportunity for the Group to capitalize on the demand for global merchandise related to Korean content and celebrities.

#### Spackman Media Group

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.

## 12. Dividend

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

No

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

No

**(c) Date payable:**

Not applicable.

**(d) Books closure date:**

Not applicable.

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

No dividend has been declared or recommended for Q1 2018.

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

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

There were no IPT of S\$100,000 and above for Q1 2018.

## 15. Use of Placement proceeds

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

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

<b>Use of proceeds</b>	<b>Amount allocated (S\$'000)</b>	<b>Amount allocated after the Reallocation<sup>(3)</sup> (S\$'000)</b>	<b>Amount utilized (S\$'000)</b>	<b>Balance (S\$'000)</b>
<b>(A) New business investments and acquisitions<sup>(1)</sup></b>	4,156	3,656	(2,655)	1,001
<b>(B) General working capital<sup>(2)</sup></b>	1,781	2,281	(1,980)	301
<b>Total</b>	<b>5,937</b>	<b>5,937</b>	<b>(4,635)</b>	<b>1,302</b>

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 (S\$535,696);
- Personnel expenses (S\$609,773);
- Rental expenses (S\$553,846); and
- Others (S\$280,473).

(3) The Company has reallocated S\$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.

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

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

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

The Board of Directors of the Company confirms that, to the best of their knowledge, nothing has come to their attention which may render the unaudited financial results for the 3 months financial period ended 31 March 2018 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

Richard Lee

Interim CEO and Executive Director

Date: 14 May 2018

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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 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.

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