

spackmanentertainmentgroup

(Company Registration No.:201401201N)

Unaudited Financial Statement and Dividend Announcement For the Three Months Ended 31 March 2016

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 2016 (Unaudited) US\$'000	31 March 2015 (Unaudited) US\$'000	Change %
Revenue	3,856	1,525	153
Cost of sales	(4,582)	(1,251)	266
Gross (loss)/profit	(726)	274	NM
Other income	2,049	99	2,186
Selling expenses	(68)	(90)	(24)
General and administrative expenses	(1,083)	(1,459)	(26)
Finance costs	(43)	(22)	95
Other expenses	(680)	(106)	542
Share of results of associate	(214)	-	NM
Loss before tax	(765)	(1,304)	(41)
Tax (expense)/credit	(77)	14	NM
Loss from continuing operations	(842)	(1,290)	(35)
(Loss)/profit from discontinued operation, net of tax	(42)	49	NM
Loss for the period	(884)	(1,241)	(29)
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Currency translation difference arising from consolidation	139	(36)	NM
Share of other comprehensive loss of associate	(169)	-	NM
Total comprehensive loss for the period	(914)	(1,277)	(29)
Loss for the period attributable to:			
Equity holders of the Company	(966)	(1,240)	(22)
Non-controlling interests	82	(2)	NM
	(884)	(1,241)	(29)
Total comprehensive loss for the period attributable to:			
Equity holders of the Company	(1,022)	(1,268)	(19)
Non-controlling interests	108	(9)	NM
	(914)	(1,277)	(29)

NM – Not meaningful

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

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

	Three Months Ended		
	31 March 2016	31 March 2015	Change
	(Unaudited) US\$'000	(Unaudited) US\$'000	
Personnel expenses	753	703	7
Rent expenses	206	186	11
Service fees	235	239	(2)
Impairment loss on film production inventories	31	-	NM
Depreciation and amortization	30	29	4
Reversal of allowance of doubtful receivables	(254)	(7)	3,525
Profit on film distributable to external investors	670	106	533
Loss on film borne by external investors	(1,963)	-	NM
Interest income	(24)	(54)	(56)
Foreign exchange loss, net	41	142	(71)

NM – Not meaningful

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

	Three Months Ended (*)		
	31 March 2016	31 March 2015	Change
	(Unaudited) US\$'000	(Unaudited) US\$'000	
Personnel expenses	99	87	13
Rent expenses	8	10	(25)
Service fees	33	155	(79)
Travel expenses	12	1	1,533
Depreciation and amortization	7	8	(21)
Allowance for doubtful receivables	238	-	NM
Interest income	(1)	(11)	(85)
Foreign exchange loss, net	-	1	NM

NM – Not meaningful

(*) Discontinued operation refer to the talent management business of UAA Korea Co., Ltd..

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 2016 (Unaudited) US\$'000	31 December 2015 (Audited) US\$'000	31 March 2016 (Unaudited) US\$'000	31 December 2015 (Audited) US\$'000
Assets				
Property, plant and equipment	3,236	3,338	13	14
Intangible assets	825	841	-	-
Investment in subsidiaries	-	-	16,245	16,245
Investment in associated company	3,341	3,577	2,477	2,477
Film production inventories	477	1,762	-	-
Long term investments	-	60	-	-
Non-current assets	7,879	9,578	18,735	18,736
Film production inventories	2,982	6,672	-	-
Inventories	4	3	-	-
Investments	3,237	6,887	-	-
Loan to a subsidiary	-	-	1,733	1,733
Trade and other receivables	3,413	21,109	201	159
Cash and cash equivalents	6,364	4,114	487	824
	16,000	38,785	2,421	2,716
Disposal group assets classified as held for sale	16,040	8,948	-	-
Current assets	32,040	47,733	2,421	2,716
Total assets	39,919	57,311	21,156	21,452
Liabilities				
Borrowings	1,994	1,962	-	-
Other non-current liabilities	39	39	-	-
Deferred tax liabilities	109	307	-	-
Non-current liabilities	2,142	2,308	-	-
Trade and other payables	1,856	15,705	134	163
Film obligation and production loans	3,469	10,226	-	-
Deferred revenue	1,763	3,833	-	-
Borrowings	787	3,123	-	-
Liabilities directly associated with disposal group classified as held for sale	13,977	5,421	-	-
Current liabilities	21,852	38,308	134	163
Total liabilities	23,994	40,616	134	163
Net assets	15,925	16,695	21,022	21,289
Share capital and reserves				
Share capital	25,019	25,019	25,019	25,019
Other reserves	(3,072)	(3,100)	-	-
Accumulated losses	(7,613)	(6,647)	(3,997)	(3,730)
Reserve of disposal group classified as held for sale	(147)	(207)	-	-

Equity attributable to equity holders of the Company, total	14,187	15,065	21,022	21,289
Non-controlling interests	1,738	1,630	-	-
Total equity	15,925	16,695	21,022	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 March 2016 (Unaudited)		As at 31 December 2015 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
-	787	1,135	1,988

Amount repayable after one year

As at 31 March 2016 (Unaudited)		As at 31 December 2015 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
1,994	-	1,962	-

Details of any collateral

The Group's secured portion of short-term borrowings is secured by the Korea Technology Credit Guarantee Fund and all long-term borrowings is secured over land and a building with carrying amounts of US\$3,073,331.

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.

	Group	
	Three Months Ended	
	31 March	31 March
	2016	2015
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Operating activities		
Loss before tax from continuing operations	(765)	(1,304)
Profit before tax from discontinued operations	17	61
	(748)	(1,243)
Adjustments for:		
Depreciation and amortization	37	37
Interest income	(25)	(65)
Interest expense	43	22
Impairment loss on film production inventories	31	-
Share of results of associate	214	-
Reversal of impairment loss on doubtful receivables	(16)	(7)
Loss on film borne by external investors	(1,963)	-
Gain on investments	(18)	(8)
Tax credit	-	(2)
Operating loss before working capital changes	(2,445)	(1,266)
Working capital changes		
Inventories	-	66
Film production inventories	(2,770)	(2,851)
Receivables	20,590	3,093
Payables	(16,072)	(2,542)
Currency translation adjustments	(1)	1
Cash used in operations	(698)	(3,499)
Interest received	33	38
Income tax paid	(209)	(54)
Net cash used in operating activities	(874)	(3,515)
Investing activities		
Loans granted	(52)	(27)
Collection of loans	50	115
Purchases of property, plant and equipment	(48)	(290)
Acquisition of a subsidiary	-	(499)
Investment in short term investments	(152)	(180)
Proceeds from disposal of investments	1,383	405
Net cash generated from/(used in) investing activities	1,181	(476)

	Group	
	Three Months Ended	
	31 March	31 March
	2015	2014
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Financing activities		
Interest paid	(80)	(41)
Proceeds from film obligations and production loans	3,080	5,595
Payment of box office proceeds to investors	(3)	(3,506)
Repayment of borrowings	(1,616)	(273)
Proceeds from borrowings	21	300
Net cash generated from financing activities	1,402	2,075
Net change in cash and cash equivalents	1,709	(1,916)
Cash and cash equivalents at beginning of financial period	5,949	12,176
Effect of exchange rate changes	126	(30)
Cash and cash equivalents at end of the financial period	7,784	10,230

For the purpose of presenting the consolidated statement of cash flow, the consolidated cash and cash equivalents comprise the followings:

Cash and cash equivalents comprise:

- Continuing operations	6,364	7,250
- Discontinued operations	1,420	2,980
	7,784	10,230

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 US\$'000	Non- controlling interests US\$'000	Total equity US\$'000
	Share capital US\$'000	Other reserve US\$'000	Accumulated losses US\$'000	Reserve of disposal group classified as held for sale US\$'000			
Balance as at 1 January 2016	25,019	(3,100)	(6,647)	(207)	15,065	1,630	16,695
Loss for the period	-	-	(966)	-	(966)	82	(884)
<i>Other comprehensive profit for the period</i>							
Share of foreign currency translation difference of associate	-	(23)	-	-	(23)	-	(23)
Currency translation difference on consolidation	-	111	-	-	111	26	137
	-	88	(966)	-	(878)	108	(770)
Reserve attributable to disposal group classified as held for sale	-	(60)	-	60	-	-	-
Balance as at 31 March 2016	25,019	(3,072)	(7,613)	(147)	14,187	1,738	15,925
Balance as at 1 January 2015	24,428	(2,175)	(5,533)		16,180	1,244	17,424
Loss for the period	-	-	(1,240)		(1,240)	(2)	(1,242)
<i>Other comprehensive profit for the period</i>							
Currency translation difference on consolidation	-	(28)	-		(28)	(7)	(35)
	-	(28)	(1,240)		(1,268)	(9)	(1,277)
<i>Transaction with equity holders of the Company</i>							
Acquisition of a subsidiary	591	-	-		591	795	1,386
Balance as at 31 March 2015	25,019	(2,743)	(6,773)		15,503	2,030	17,533

Statement of Changes in Equity

Company (unaudited)	← Attributable to equity holders of the Company →				Non-controlling interests US\$'000	Total equity US\$'000
	Share capital	Other reserve	Accumulated losses	Total		
	US\$'000	US\$'000	US\$'000	US\$'000		
Balance as at 1 January 2016	25,019	-	(3,730)	21,289	-	21,289
Loss and total comprehensive loss for the period	-	-	(267)	(267)	-	(267)
Balance as at 31 March 2016	25,019	-	(3,997)	21,022	-	21,022

Company (unaudited)	← Attributable to equity holders of the Company →				Non-controlling interests US\$'000	Total equity US\$'000
	Share capital	Other reserve	Accumulated losses	Total		
	US\$'000	US\$'000	US\$'000	US\$'000		
Balance as at 1 January 2015	24,428	-	(2,185)	22,243	-	22,243
Loss and total comprehensive loss for the period	-	-	(345)	(345)	-	(345)
Acquisition of a subsidiary	591	-	-	591	-	591
Balance as at 31 March 2015	25,019	-	(2,530)	22,489	-	22,489

- 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

	Number of shares	Issued and paid-up share capital
Balance at 1 January 2016 and 31 March 2016	398,770,209	US\$25,019,233

The Company did not have any outstanding options, convertibles or treasury shares as at 31 March 2016 and 31 March 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**

	31 March 2016	31 December 2015
Total number of issued shares	398,770,209	398,770,209

The Company did not have any treasury shares as at 31 March 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 period 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 period 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 reporting period.

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

Loss per share ("LPS")	3 months ended 31 March 2016	3 months ended 31 March 2015
Loss attributable to equity holders of the Company (US\$)	965,225	1,239,510
Weighted average number of ordinary shares in issue	398,770,209	398,459,179
Basic and fully diluted basis LPS (US cents) ⁽¹⁾	0.242	0.311
Adjusted LPS (US cents) ⁽²⁾	0.242	0.311

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 March 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 March 2016	31 December 2015	31 March 2016	31 December 2015
Net asset value (US\$)	15,925,189	16,694,988	21,022,678	21,289,299
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\$)	0.040	0.042	0.053	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 (Q1 2016 vs Q1 2015)

Revenue

The breakdown of revenue in Q1 2016 and Q1 2015 is as follows:

Source of revenue	Group	
	Q1 2016	Q1 2015
	(Unaudited) US\$ million	(Unaudited) US\$ million
Distribution of films	2.02	0.68
Production of films	1.72	-
Production of documentaries	-	0.68
Restaurant sales and café lounge business	0.06	0.10
Photography	0.06	0.04
Consultancy services	-	0.03
Total	3.86	1.53

Revenue increased by approximately US\$2.33 million or 152.3% year-on-year (“YoY”) from US\$1.53 million in Q1 2015 to US\$3.86 million in Q1 2016. The increase arose mainly due to *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) under production during Q1 2016, while there was no film under production during Q1 2015, where the Group is the producer but the presenter is a third party. The Group uses the percentage-of-completion method to recognise revenue from the production of films where the Group is the producer but a third party is the presenter. If the Group is both the producer and presenter, revenue from the production of films will only be recognized upon the release of a film.

In Q1 2016, the Group generated US\$1.72 million in film production from *MASTER* which is currently expected to be released in the 4th quarter of 2016. The Group also distributed several motion films including *THE PRIESTS*, *CHASING*, *MUSUDAN* and others, which generated distribution revenue of US\$2.02 million. In addition, US\$0.12 million of revenue was generated from restaurant sales from our café lounge business (US\$0.06 million) and photography services (US\$0.06 million). Revenue from the production of documentaries in Q1 2015 was generated by the Company's indirect subsidiary, Film Auteur Co., Ltd. (“**Film Auteur**”), but Film Auteur did not carry out any documentary production (financed by 3rd party) during Q1 2016.

In Q1 2015, the Group distributed several motion films including *BIG MATCH*, *MY BRILLIANT LIFE*, *FOR THE EMPEROR* and others which generated distribution revenue of US\$0.68 million. In addition, US\$0.52 million of revenue was generated from the production of documentaries (US\$0.68 million), restaurant sales from our café lounge business (US\$0.10 million), photography services (US\$0.04 million) and consultancy services (US\$0.03 million).

Cost of sales

The breakdown of cost of sales in Q1 2016 and Q1 2015 is as follows:

	Group	
	Q1 2016 (Unaudited) US\$ million	Q1 2015 (Unaudited) US\$ million
Cost of sales		
Distribution of films	2.91	0.51
Production of films	1.65	-
Production of documentaries	-	0.68
Restaurant sales and café lounge business	0.02	0.06
Total	4.58	1.25

Our cost of sales increased by US\$3.33 million or 266.4% YoY from US\$1.25 million in Q1 2015 to US\$4.58 million in Q1 2016, mainly because of the same reasons which resulted in the increase in the Group's revenue.

In Q1 2016, cost of sales incurred from production of *MASTER* was US\$1.65 million. Cost of sales of US\$2.91 million was attributable to the distribution of several films including *THE PRIESTS*, *CHASING*, *MUSUDAN* and others. In addition, US\$0.02 million of cost of sales was incurred from the restaurant sales and café lounge business.

In Q1 2015, cost of sales incurred from distribution of several motion films including *BIG MATCH*, *MY BRILLIANT LIFE*, *FOR THE EMPEROR* and others was US\$0.51 million. In addition, US\$0.74 million of cost of sales was incurred from the production of documentaries (US\$0.68 million) and the restaurant sales and café lounge business (US\$0.06 million).

Gross profit margin

The Group recorded a gross loss of US\$0.73 million in Q1 2016 as compared to a gross profit of US\$0.27 million in Q1 2015. The reversal from a gross profit margin of 18.0% recorded in Q1 2015 to a gross loss margin of 18.8% in Q1 2016 was mainly due to a gross loss of US\$0.89 million from distribution of films which was primarily attributable to the lacklustre performance of two films released during Q1 2016, *CHASING* (presented by Opus Pictures and produced by 3rd party) and *MUSUDAN* (presented by Opus Pictures and produced by 3rd party).

Other income

Other income totaled US\$2.05 million in Q1 2016 compared with US\$0.10 million in Q1 2015. Other income in Q1 2016 comprised US\$0.02 million of interest income (Q1 2015: US\$0.05 million), US\$0.03 million of foreign exchange gain (Q1 2015: nil) and US\$0.04 million of miscellaneous (Q1 2015: US\$0.05 million). Furthermore, the loss on film borne by external investors amounted to US\$1.96 million in Q1 2016 (*MUSUDAN*: US\$1.30 million and *CHASING*: US\$0.66 million), whereas there was no such gain in Q1 2015.

Selling expenses

Selling expenses decreased by US\$0.02 million or 24.4% YoY from US\$0.09 million in Q1 2015 to US\$0.07 million in Q1 2016. The decrease was mainly due to the decrease in the number of films for sale in overseas market to one film, *THE PRIESTS* in Q1 2016 as compared to two films, *BIG MATCH* and *MY BRILLIANT LIFE* in Q1 2015.

General and administrative expenses

General and administrative expenses decreased by US\$0.38 million or 26.0% YoY from US\$1.46 million in Q1 2015 to US\$1.08 million in Q1 2016. The decrease was mainly due to reversal of allowance of doubtful receivables of US\$0.25 million (Q1 2015: nil) and a decrease in foreign exchange loss of US\$0.07 million from US\$0.14 million in Q1 2015 to US\$0.07 million in Q1 2016. The reversal of allowance of doubtful receivables was due to the reversal of bad debt provision provided to receivables which were reclassified as assets held for sale pursuant to the Proposed Restructuring (as defined below).

Finance costs

Finance costs increased by US\$0.02 million or 95.0% from US\$0.02 million in Q1 2015 to US\$0.04 million in Q1 2016 mainly due to a decrease in the interest expenses on bank loans related to the construction of a building. .

Other expenses

Other expenses were US\$0.68 million in Q1 2016 compared with US\$0.11 million in Q1 2015. These other expenses were related to profit on film distributable to external investments from *THE PRIESTS* in Q1 2016 and from *FOR THE EMPEROR* in Q1 2015, respectively. Such expenses were higher in Q1 2016 due to the better performance of *THE PRIESTS*.

Share of results of associate

The share of results of associate of a loss of US\$0.21 million in Q1 2016 (Q1 2015: nil) was attributable to the loss from the Company's 45.8% owned associate company, Spackman Media Group Pte. Ltd. ("**SMGPL**"). SMGPL was incorporated in April 2015 and its losses in Q1 2016 were mainly due to the losses of US\$0.15 million from its variety show production

business through its 99% owned subsidiary, Delmedia Co., Ltd. and general and administrative expenses of US\$0.06 incurred by SMGPL.

Tax (expenses)/credit

The Group recorded tax expenses of US\$0.08 million in Q1 2016 as Zip Cinema and Novus Mediacorp were profitable in Q1 2016, as compared to a tax credit of S\$0.01 million in Q1 2015 which arose because all the Company's subsidiaries (save for Novus Mediacorp) were loss-making in Q1 2015 and Zip Cinema had recognized deferred tax assets.

Loss before tax

As a result of the above, the Group recorded a loss before tax was US\$0.77 million in Q1 2016 as compared to a loss before tax of US\$1.30 million in Q1 2015.

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 Limited Liability Company ("**Opus Pictures**") and 51.50% equity interest in UAA Korea Co., Ltd. ("**UAA Korea**") to the Purchaser (the "**Proposed Restructuring**"). The Proposed Restructuring will allow the Company to dispose of its major loss-making asset, Opus Pictures and will enable the Group to streamline its core operations and to better focus its resources on its profitable theatrical film business carried out through its subsidiaries, Zip Cinema and Novus Mediacorp Co., Ltd.

Further to the termination of the proposed disposal of the Group's 51.36% interest in UAA Korea (details of which are set out in the Company's announcement on 30 December 2015 and 19 April 2016), UAA Korea will be disposed to the Purchaser instead as part of the Proposed Restructuring and the Group's talent management business will be discontinued. Based on the Proposed 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\$0.04 million in Q1 2016 (Q1 2015: profit from discontinued operation of US\$0.05 million).

Consolidated Statement of Financial Position

Non-current assets

The Group's non-current assets amounted to US\$7.88 million as at 31 March 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\$1.28 million and property, plant and

equipment of US\$0.10 million, which were owned by Opus Pictures, mainly due to the reclassification of such assets as assets held for sale pursuant to the Proposed Restructuring; and

- ii) Decrease in investment in associated company of US\$0.24 million due to the loss from the Company's 45.8% owned associate company, SMGPL.

Current assets

The Group's current assets amounted to US\$32.04 million as at 31 March 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\$17.20 million mainly due to the collection of trade receivables related to *THE PRIESTS*;
- ii) Decrease in film production inventories of US\$3.69 million mainly due to two films, *CHASING* and *MUSUDAN*, which were released during Q1 2016;
- iii) Decrease in investments by US\$3.65 million due to the reclassification of US\$2.27 million of Opus Pictures' total assets to assets held for sale pursuant to the Proposed Restructuring and US\$1.38 million of disposed film investment funds; and
- iv) Partially offset by an increase in cash and cash equivalents of US\$2.25 million mainly due to the reasons as explained under the discussion for the "Consolidated Statement of Cash Flow" below and an increase in disposal group assets classified as held for sale of US\$7.09 million primarily attributable to the reclassification of Opus Pictures' total assets as held for sale in relation to the Proposed Restructuring.

Non-current liabilities

The Group's non-current liabilities amounted to US\$2.14 million as at 31 March 2016 and there were no significant changes compared with US\$2.31 million as at 31 December 2015.

Current liabilities

The Group's current liabilities amounted to US\$21.85 million as at 31 March 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\$4.84 million and share of box office proceeds payable to investors of US\$9.26, which were both mainly due to the payments related to *THE PRIESTS*;
- ii) a decrease in film obligations and production loans of US\$6.76 million mainly due to the repayments to investors of *THE PRIESTS*;
- iii) a decrease in short term borrowings of US\$2.34 million held by Opus Pictures, mainly due to reclassification of Opus Pictures' total liabilities as liabilities held for sale;
- iv) a decrease in deferred revenue of US\$2.07 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

- v) partially offset by an increase of US\$8.56 million in liabilities directly associated with disposal group classified as held for sale, primarily attributable to the reclassification of Opus Pictures' total liabilities as held for sale in relation to the Proposed Restructuring.

Consolidated Statement of Cash Flow

As at 31 March 2016, the Group had cash and cash equivalents amounting to US\$7.78 million (including US\$1.42 million of cash and cash equivalents held by Opus Pictures and UAA Korea) as compared to cash and cash equivalents amounting to US\$10.23 million (including US\$2.98 million of cash and cash equivalents held by Opus Pictures and UAA Korea) as at 31 March 2015.

The significant cash movements during Q1 2016 as compared to Q1 2015 can be summarized as follows:

Cash flow used in operating activities for Q1 2016 amounted to US\$0.87 million as compared to cash used in operating activities of US\$3.52 million for Q1 2015. The cash flow used in operating activities for Q1 2016 was mainly due to the operating loss before working capital changes of US\$2.45 million in 1Q 2016 and net working capital inflows of US\$1.75 million resulting from a decrease in receivables of US\$20.59, which was offset by an increase in film production inventories of US\$2.77 million and a decrease in payables of US\$16.07 million.

Cash flow generated from investing activities for Q1 2016 was US\$1.18 million as compared to cash flow used in investing activities of US\$0.48 million for Q1 2015. The cash flow generated from investing activities for Q1 2016 was mainly due to proceeds from disposal of film investment funds of US\$1.38 million, which was offset by investment in short term investment of US\$0.15 million.

Cash flow generated from financing activities was US\$1.40 million for Q1 2016 as compared to US\$2.08 million for Q1 2015. The cash generated from financing activities in Q1 2016 was mainly due to proceeds from film obligations and production loans of US\$3.08 which was primarily for the production of *MASTER and SPLIT* (produced and presented by Opus Pictures), offset by repayment of borrowings of US\$1.62.

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. 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.

As of 30 April 2016, the overall Korean Spring box office declined YOY by 6%. Total ticket admissions and cumulative revenues from movies released from 1 January 2016 to 30 April 2016 decreased 6.0% YoY to 59.5 million total ticket admissions and KRW 470 billion in cumulative revenues.

Foreign films had a 52.9% market share in the first four months of 2016, maintaining its market share for the second year in a row (58.0% in 2015, 57.0% in 2014 and 41.3% in 2013), led by the animated films and superhero films. *ZOOTOPIA* and *KUNGFU PANDA 3* each sold more than 4 million tickets. The US blockbuster, *CAPTAIN AMERICA: CIVIL WAR* sold 3 million tickets in the first weekend of its release in late April. *DEADPOOL* and *BATMAN V SUPERMAN: DAWN OF JUSTICE* each sold over 2 million ticket admissions.

As for domestic films, *A VIOLENT PROSECUTOR*, starring Hwang Jung-min and Gang Dong-won, dominated the Korean box office during the month of February with 9.7 million tickets sold. Hwang Jung-min's *HIMALAYA*, which was released in mid-December 2015, sold 2.6 million tickets in January.¹

The Group expects to release its first Korean release, *LIFE RISKING ROMANCE*, in the 2nd half of 2016. Co-Produced by Novus Mediacorp, *LIFE RISKING ROMANCE* stars Ha Ji-won, Taiwanese star, Chen Bolin, and Cheon Jeong-myeong. The film is a comedy thriller with elements of a romance drama and tells a story of three people in the midst of a serial murder case.

The Group's second major Korean release is the highly anticipated *MASTER* with a star-studded cast headlined by Lee Byung-hun, Gang Dong-won, and Kim Woo-bin, expected to open at the end of 2016. Produced by Zip Cinema, *MASTER* is about an intellectual crime investigation team and a notorious fraud surrounding a grand scam.

11. 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:

¹ Source: Korean Film Council, www.kobis.or.kr

Not applicable.

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

No dividend has been declared or recommended for Q1 2016.

13. 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 2016.

14. 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).

15. Use of IPO proceeds

The Company refers to the gross proceeds amounting to S\$13.0 million raised from the IPO on the Catalist Board of the SGX-ST on 22 July 2014.

The status on the use of IPO proceeds in Singapore dollars as at the date of this announcement is as follows:

Use of IPO Proceeds	Amount allocated after the Reallocations⁽¹⁾ (S\$'000)	Amount utilised (S\$'000)	Amount unutilised (S\$'000)
Investment into films produced by the Group or third parties	1,200 ⁽¹⁾	1,200	-
Expansion of the Group’s operations via acquisitions, joint ventures and investments	4,800	4,723	77
Establishment of overseas offices	500	440	60
General working capital	4,337 ⁽¹⁾	4,221 ⁽²⁾	116
IPO expenditure	2,163	2,163	-

Total	13,000	12,747	253
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Notes:

- (1) Please refer to the Company's announcements dated 9 January 2015, 11 May 2015 and 26 February 2016 on the previous reallocations of net IPO proceeds which were made. In addition, the Company has reallocated S\$0.5 million of the net proceeds initially allocated for the investment into films produced by the Group or third parties for its working capital purposes as the Company has no immediate and definite plans to use a significant portion of the allocated net proceeds for investment into films at this juncture (the "Reallocations").
- (2) The Company has reallocated S\$336,552 allocated for general working capital for the payment of IPO related expenses. The remaining S\$3,884,249 has been utilised for payment to suppliers (S\$1,077,082), payment of salary and director's fees (S\$1,464,758), professional service fees (S\$680,755) and others (S\$661,654).

16. 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 2016 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Charles Choi Spackman

Executive Chairman

Date: 12 May 2016

Spackman Entertainment Group Limited (the "Company") was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 22 July 2014. The initial public offering of the Company (the "IPO") was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor" or "PPCF").

This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with 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.