

# spackmanentertainmentgroup

(Company Registration No.:201401201N)

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## **Unaudited Financial Statement and Dividend Announcement For the Three Months and the Six Months Ended 30 June 2014**

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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 relevant rules of the SGX-ST. The Sponsor has not independently 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 correctness of any of the statements or opinions made or reports contained in this announcement.

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### **Background**

Spackman Entertainment Group Limited (the "**Company**") was incorporated in the Republic of Singapore on 10 January 2014 under the Companies Act (Chapter 50) of Singapore as a private limited company. The Company and its subsidiaries (the "**Group**") were formed pursuant to a restructuring exercise (the "**Restructuring Exercise**") prior to the IPO and listing on the Catalist of the SGX-ST on 22 July 2014. The Restructuring Exercise was completed on 19 June 2014. Please refer to the Company's Offer Document dated 11 July 2014 for further details on the Restructuring Exercise.

For the purpose of this announcement, the financial results of the Group for the three months financial period ended 30 June 2014 ("**Q2 2014**") and the six months financial period ended 30 June 2014 ("**6M 2014**"), and the comparative financial results of the Group for the three months financial period ended 30 June 2013 ("**Q2 2013**") and the six months financial period ended 30 June 2013 ("**6M 2013**"), have been prepared on the assumption that the Group's structure following the completion of the Restructuring Exercise had been in place since 1 January 2013.

**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			Group Six Months Ended		
	30 June 2014 (Unaudited) US\$'000	30 June 2013 (Unaudited) US\$'000	Change %	30 June 2014 (Unaudited) US\$'000	30 June 2013 (Unaudited) US\$'000	Change %
	<b>Revenue</b>	4,809	475	912	8,745	650
Cost of sales	(4,285)	(22)	19,377	(7,902)	(220)	3,492
Gross profit	524	453	16	843	430	96
Other income	113	209	(46)	294	309	(5)
Selling expenses	(96)	(29)	231	(165)	(57)	189
General and administrative expenses	(993)	(612)	62	(1,848)	(1,335)	38
Finance costs	(27)	(15)	80	(74)	(37)	100
<b>(Loss)/profit before tax</b>	(479)	6	NM	(950)	(690)	38
Tax expense	(1)	-	NM	(1)	-	NM
<b>(Loss)/profit for the period</b>	(480)	6	NM	(951)	(690)	38
<b>Other comprehensive income</b>						
<i>Items that are or may be reclassified subsequently to profit or loss</i>						
Currency translation difference arising from consolidation	376	(109)	NM	245	(219)	NM
<b>Total comprehensive loss for the period</b>	(104)	(103)	1	(706)	(909)	(22)
<b>(Loss)/profit for the period attributable to:</b>						
Equity holders of the Company	(456)	(15)	2,940	(898)	(701)	28
Non-controlling interests	(24)	21	NM	(53)	11	NM
	(480)	6	NM	(951)	(690)	38
<b>Total comprehensive loss for the period attributable to:</b>						
Equity holders of the Company	(98)	(121)	(19)	(653)	(917)	(29)
Non-controlling interests	(6)	18	NM	(53)	8	NM
	(104)	(103)	1	(706)	(909)	(22)

NM – Not meaningful

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

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

	Three Months Ended			Six Months Ended		
	30 June 2014	30 June 2013	Change	30 June 2014	30 June 2013	Change
	(Unaudited) US\$'000	(Unaudited) US\$'000		(Unaudited) US\$'000	(Unaudited) US\$'000	
Personnel expenses	779	252	209	1,207	738	64
Rent	175	94	86	236	193	22
Service fees	33	126	(74)	184	175	5
Travel expenses	78	7	1,014	131	23	470
Depreciation and amortization	26	19	37	44	39	13
Utilities	4	5	(20)	11	12	(8)
Supplies	22	7	214	37	18	106
Communication	4	3	33	7	5	40
Interest income	(44)	(23)	91	(70)	(103)	(32)
Loss/(gain) from investments, net	99	(25)	NM	(17)	(83)	(80)
Foreign exchange gain, net	(28)	(133)	(79)	(23)	(143)	(84)

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	
	30 June 2014 (Unaudited) US\$'000	31 December 2013 (Audited) US\$'000	30 June 2014 (Unaudited) US\$'000	31 December 2013 (Unaudited) US\$'000
<b>Assets</b>				
Investment in subsidiary	-	-	14,544	-
Property, plant and equipment	823	706	-	-
Intangible assets	116	112	-	-
Film production inventories	2,604	2,561	-	-
Deferred tax assets	924	888	-	-
Loan to a related party	-	2,001	-	-
<b>Non-current assets</b>	<b>4,467</b>	<b>6,268</b>	<b>14,544</b>	<b>-</b>
Investments	6,710	2,309	-	-
Trade and other receivables	6,853	2,675	748	-
Film production inventories	8,534	5,372	-	-
Inventories	3	2	-	-
Cash and cash equivalents	4,912	9,214	-	-
<b>Current assets</b>	<b>27,012</b>	<b>19,572</b>	<b>748</b>	<b>-</b>
<b>Total assets</b>	<b>31,479</b>	<b>25,840</b>	<b>15,292</b>	<b>-</b>
<b>Liabilities</b>				
Other non-current liabilities	4	7	-	-
Convertible bonds	-	1,301	-	-
Deferred tax liabilities	119	115	-	-
<b>Non-current liabilities</b>	<b>123</b>	<b>1,423</b>	<b>-</b>	<b>-</b>
Trade and other payables	2,446	2,219	748	-
Deferred revenue	1,612	2,364	-	-
Borrowings	1,340	1,260	-	-
Tax payables	46	1,224	-	-
Film obligation and production loans	12,017	8,358	-	-
<b>Current liabilities</b>	<b>17,461</b>	<b>15,425</b>	<b>748</b>	<b>-</b>
<b>Total liabilities</b>	<b>17,584</b>	<b>16,848</b>	<b>748</b>	<b>-</b>
<b>Net assets</b>	<b>13,895</b>	<b>8,992</b>	<b>14,544</b>	<b>-</b>
<b>Share capital and reserves</b>				
Share capital	14,544	2	14,544	-
Other reserves	(2,190)	6,498	-	-
Retained earnings	1,550	2,448	-	-
Equity attributable to equity holders of the Company, total	13,904	8,948	14,544	-
Non-controlling interests	(9)	44	-	-
<b>Total equity</b>	<b>13,895</b>	<b>8,992</b>	<b>14,544</b>	<b>-</b>

**1(b)(ii) Aggregate amount of group's borrowings and debt securities****Amount repayable in one year or less, or on demand**

<b>As at 30 June 2014 (Unaudited)</b>		<b>As at 31 December 2013 (Audited)</b>	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
1,340	-	1,260	-

**Amount repayable after one year**

<b>As at 30 June 2014 (Unaudited)</b>		<b>As at 31 December 2013 (Audited)</b>	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
-	-	-	1,301

**Details of any collateral**

The Group's secured portion of borrowings is either secured solely by the Korea Credit Guarantee Fund or by guarantees from both the Korea Credit Guarantee Fund and the Korea Technology Finance Corporation.

**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			
	3 Months ended 30 June 2014 (Unaudited) US\$'000	3 Months ended 30 June 2013 (Unaudited) US\$'000	6 Months ended 30 June 2014 (Unaudited) US\$'000	6 Months ended 30 June 2013 (Unaudited) US\$'000
<b>Operating activities</b>				
Profit/(Loss) before income tax	(479)	6	(950)	(690)
Adjustments for:				
Depreciation and amortization	26	19	44	39
Interest income	(44)	(23)	(70)	(103)
Interest expense	27	15	74	37
Reversal of impairment loss on investment in theatrical film projects	(13)	(101)	(20)	(102)
Fair value loss on investment in insurance products	4	3	5	7
Fair value loss on investment in mutual funds	-	9	-	5
Effect of foreign exchange rate changes	(30)	18	(25)	26
<b>Operating loss before working capital changes</b>	<b>(509)</b>	<b>(54)</b>	<b>(942)</b>	<b>(781)</b>
<b>Working capital changes</b>				
Investment in theatrical film projects, net	(1,081)	6	(1,290)	6
Inventories	(3)	(1)	725	(1)
Film production inventories	1,019	(1,725)	(2,173)	(1,744)
Receivables	(2,310)	(860)	(4,381)	(136)
Payables	(923)	2,413	(3,110)	1,120
Film obligations and production loans	1,067	498	3,180	548
Cash (used in)/generated from operations	(2,740)	277	(7,991)	(988)
Interest paid	(11)	(22)	(26)	(35)
Interest received	208	119	225	155
Income tax paid	(346)	(90)	(618)	(162)
<b>Net cash (used in)/generated from operating activities</b>	<b>(2,889)</b>	<b>284</b>	<b>(8,410)</b>	<b>(1,030)</b>
<b>Investing activities</b>				
Loans granted	-	(633)	(205)	(1,971)
Collection of loans	471	432	2,531	1,114
Purchases of property, plant and equipment	(130)	(3)	(120)	(5)
Purchases of intangible assets	-	(50)	-	(50)
Acquisition of subsidiaries	-	(129)	-	(129)
Investment of insurance products	-	(17)	-	(35)
Investment in short term investments	(1,514)	(356)	(2,557)	(357)
Acquisition of other non-current assets	-	(9)	-	(9)
<b>Net cash used in investing activities</b>	<b>(1,173)</b>	<b>(765)</b>	<b>(351)</b>	<b>(1,442)</b>

**Financing activities**

Repayment of loans	(37)	(13)	(37)	(13)
Additional loans	86	741	151	741
Issuance of shares	4,252	-	4,252	-
<b>Net cash from financing activities</b>	<b>4,301</b>	<b>728</b>	<b>4,366</b>	<b>728</b>

**Net change in cash and cash equivalents**

239	247	(4,395)	(1,744)
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Cash and cash equivalents at beginning of financial period

4,626	1,289	9,214	3,318
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Effect of exchange rate changes

47	76	93	38
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**Cash and cash equivalents at end of the financial period**

<b>4,912</b>	<b>1,612</b>	<b>4,912</b>	<b>1,612</b>
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**Cash and cash equivalents comprise:**

Cash and bank balances	4,557	374	4,557	374
Money market funds	355	1,238	355	1,238
	<b>4,912</b>	<b>1,612</b>	<b>4,912</b>	<b>1,612</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 equity US\$'000
	Share capital US\$'000	Other reserve US\$'000	(Accumulated losses)/retained earnings US\$'000	Total US\$'000	Non- controlling interests US\$'000	
<b>Balance as at 1 April 2014</b>	2	6,387	2,006	8,395	15	8,410
Loss for the period	-	-	(456)	(456)	(24)	(480)
<i>Other comprehensive profit for the period</i>						
Currency translation difference on consolidation	-	376	-	376	-	376
	-	376	(456)	(80)	(24)	(104)
<i>Transaction with equity holders of the Company</i>						
Issue of ordinary shares	-	4,252	-	4,252	-	4,252
Conversion of convertible bonds	-	1,337	-	1,337	-	1,337
Issuance of ordinary shares due to restructuring exercise	14,542	(14,542)	-	-	-	-
<b>Balance as at 30 June 2014</b>	14,544	(2,190)	1,550	13,904	(9)	13,895
<b>Balance as at 1 April 2013</b>	1	4,030	(993)	3,038	194	3,232
Loss for the period	-	-	(15)	(15)	21	6
<i>Other comprehensive profit for the period</i>						
Currency translation difference on consolidation	-	(106)	-	(106)	(3)	(109)
	-	(106)	(15)	(121)	18	(103)
<i>Changes in ownership interests in subsidiaries</i>						
Acquisition of subsidiary	-	-	-	-	(24)	(24)
<b>Balance as at 30 June 2013</b>	1	3,924	(1,008)	2,917	188	3,105



## Statement of Changes in Equity

Company (unaudited)	< ----- Attributable to equity holders of the Company ----- >					Total equity US\$'000
	Share capital US\$'000	Other reserve US\$'000	(Accumulated losses)/retained earnings US\$'000	Total US\$'000	Non- controlling interests US\$'000	
<b>Balance as at 1 April 2014</b>	-	-	-	-	-	-
Issue of ordinary shares due to the restructuring exercise	14,544	-	-	14,544	-	14,544
<b>Balance as at 30 June 2014</b>	<b>14,544</b>	<b>-</b>	<b>-</b>	<b>14,544</b>	<b>-</b>	<b>14,544</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 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
Issued and paid-up shares as at date of incorporation: 10 January 2014	1	US\$1 <sup>(1)</sup>
Issuance of shares pursuant to share swap agreement: 12 June 2014	17,226	S\$18,165,258
New shares issued pursuant to the sub-division of each issued and fully paid share into 20,000 shares: 19 June 2014 (the “ <b>Sub-division</b> ”)	<u>344,522,773</u>	<u>-</u>
<b>Balance at 30 June 2014</b>	<u>344,540,000</u>	<u>S\$18,165,259</u>

Notes:

(1) Our Company’s share capital was changed from US\$ to S\$ on 5 May 2014 and our issued and paid-up share capital was S\$1.25 as at that date.

The Company did not have any outstanding options, convertibles or treasury shares as at 30 June 2014 and 30 June 2013.

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

	<u>30 June 2014</u>	<u>31 December 2013</u>
Total number of issued shares	344,540,000	N/A

The Company did not have any treasury shares as at 30 June 2014 and 31 December 2013. “N/A” denotes not applicable as the Company was only incorporated on 10 January 2014.

**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 method 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 2013 ("FY2013").

**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 FY2013, 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 2014. 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**

<b>Loss per share ("LPS")</b>	<b>3 months ended 30 June 2014</b>	<b>6 months ended 30 June 2014</b>
Loss attributable to shareholders of the Company (US\$)	455,865	897,867
Basic and fully diluted basis LPS (US cents) <sup>(1)</sup>	0.132	0.261

Note:

- (1) For illustrative purposes, the basic and fully diluted basic LPS of the Group for Q2 2014 and 6M 2014 was calculated based on the post Sub-division issued ordinary share capital of 344,540,000 shares.
- (2) Comparison with the LPS for the corresponding period of the immediately preceding financial year is not meaningful as no shares existed for the Group in 2013

**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**

	<b>Group 30 June 2014</b>	<b>Company 30 June 2014</b>
Net asset value (US\$)	13,894,025	14,543,842
Number of ordinary shares in issue	344,540,000	344,540,000
Net asset value per ordinary share (US\$)	0.040	0.042

Note:

- (1) The Company was incorporated on 10 January 2014. Therefore, the net asset value per share for the Group and the Company as at 31 December 2013 is not meaningful

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

(a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**

(b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

#### Consolidated Statement of Comprehensive Income

##### **Revenue**

##### **6M 2014 vs 6M 2013**

Revenue increased by approximately US\$8.10 million or 1,245% year-on-year ("YoY") from US\$0.65 million in 6M 2013 to US\$8.75 million in 6M 2014. The increase was mainly due to revenue generated from *FOR THE EMPEROR* (produced and presented by an indirect wholly-owned subsidiary of the Company, Opus Pictures), *CONFESSION* (produced by Opus Pictures), and *MY BRILLIANT LIFE* (produced by an indirect wholly-owned subsidiary of the Company, Zip Cinema).

In 6M 2014, the Group generated US\$1.86 million, US\$3.30 million and US\$3.05 million in production of film revenue from *FOR THE EMPEROR*, *CONFESSION* and *MY BRILLIANT LIFE* respectively. The Group also distributed several motion films including *NOW IS GOOD*, *MONSTER*, *COLD EYES* and others which generated distribution revenue of US\$0.32 million. In addition, US\$0.22 million of revenue was generated from the production of documentaries and restaurant sales from our café lounge business.

In 6M 2013, the Group generated US\$0.13 million as the share of profit for acting as the producer on *ALL ABOUT MY WIFE* (produced by Zip Cinema). The distribution revenue from several motion films totaled US\$0.24 million. In addition, US\$0.28 million of revenue was generated from the production of documentaries and restaurant sales from our café lounge business.

##### **Q2 2014 vs Q2 2013**

Revenue increased by approximately US\$4.33 million or 912% YoY from US\$0.48 million in Q2 2013 to US\$4.81 million in Q2 2014. The increase was mainly due to revenue generated from *FOR THE EMPEROR* (produced and presented by Opus Pictures), *CONFESSION* (produced by Opus Pictures), and *MY BRILLIANT LIFE* (produced by Zip Cinema).

In Q2 2014, the Group generated US\$1.86 million, US\$1.91 million and US\$0.71 million in production of film revenue from *FOR THE EMPEROR*, *CONFESSION* and *MY BRILLIANT LIFE* respectively. The Group also distributed several motion films including *NOW IS GOOD*, *MONSTERS*, *COLD EYES* and others, which generated distribution revenue of US\$0.18 million. In addition, US\$0.15 million of revenue was generated from the production of documentaries and restaurant sales from our café lounge business.

In Q2 2013, the Group generated US\$0.13 million as the share of profit for acting as the producer from *ALL ABOUT MY WIFE* (produced by Zip Cinema). The distribution revenue from several motion films totaled US\$0.14 million. In addition, US\$0.21 million of revenue was generated from the production of documentaries and restaurant sales from our café lounge business.

## **Cost of sales**

### **6M 2014 vs 6M 2013**

Our cost of sales increased by US\$7.68 million or 3,492% YoY from US\$0.22 million in 6M 2013 to US\$7.90 million in 6M 2014, mainly due to the production cost and print & advertisement cost of three films: 1) *FOR THE EMPEROR* (produced and presented by Opus Pictures), 2) *CONFESSION* (produced by Opus Pictures) and 3) *MY BRILLIANT LIFE* (produced by Zip Cinema).

In 6M 2014, cost of sales incurred from *FOR THE EMPEROR*, *CONFESSION* and *MY BRILLIANT LIFE* was US\$1.54 million, US\$3.22 million and US\$2.79 million, respectively. In addition, US\$0.35 million of cost of sales was incurred from documentaries, café lounge business.

In 6M 2013, US\$0.22 million of cost of sales was incurred from documentaries, café lounge business.

### **Q2 2014 vs Q2 2013**

Our cost of sales increased by US\$4.27 million or 19,377% YoY from US\$0.02 million in Q2 2013 to US\$4.29 million in Q2 2014, mainly due to the production cost and print & advertisement cost of three films: 1) *FOR THE EMPEROR* (produced and presented by Opus Pictures), 2) *CONFESSION* (produced by Opus Pictures) and 3) *MY BRILLIANT LIFE* (produced by Zip Cinema).

In Q2 2014, cost of sales incurred from *FOR THE EMPEROR*, *CONFESSION* and *MY BRILLIANT LIFE* was US\$1.54 million, US\$1.83 million and US\$0.67 million. In addition, US\$0.25 million of cost of sales was incurred from documentaries and the café lounge business.

In Q2 2013, cost of sales totaled US\$0.02 million, which was incurred from documentaries and the café lounge business.

## **Other income**

### **6M 2014 vs 6M 2013**

Other income totaled US\$0.30 million in 6M 2014 compared with US\$0.31 million in 6M 2013. Other income comprises US\$0.07 million of interest income (6M 2013: US\$0.10 million), US\$0.02 million of rental income (6M 2013: US\$0.02 million), US\$0.03 million of foreign exchange gain (6M 2013: US\$0.06 million), US\$0.17 million of gain on investments (6M 2013: US\$0.11 million) and US\$0.01 million of miscellaneous (6M 2013: US\$0.02 million) in 6M 2014.

### **Q2 2014 vs Q2 2013**

Other income totaled US\$0.11 million in 2Q 2014 compared with US\$0.21 million in 2Q 2013. Other income comprises US\$0.04 million of interest income (Q2 2013: US\$0.02 million), US\$0.01 million of rental income (Q2 2013: US\$0.01 million), US\$0.02 million of foreign exchange gain (Q2 2013: US\$0.05 million), US\$0.03 million of gain on investments (Q2 2013: US\$0.11 million) and US\$0.01 million of miscellaneous (Q2 2013: US\$0.02 million) in Q2 2014.

## **Selling expenses**

### **6M 2014 vs 6M 2013**

Selling expenses increased by US\$0.11 million or 189% YoY from US\$0.06 million in 6M 2013 to US\$0.17 million in 6M 2014. The increase was mainly due to the expenses related to *FOR THE EMPEROR*, *CONFESSION* and *MY BRILLIANT LIFE* in 6M 2014. There were selling expenses related to one film, *COLD EYES* in 6M 2013.

### **Q2 2014 vs Q2 2013**

Selling expenses increased by US\$0.07 million or 231% from US\$0.03 million in Q2 2013 to US\$0.10 million in Q2 2014. The increase was mainly due to the expenses related to *FOR THE EMPEROR*, *CONFESSION*, and *MY BRILLIANT LIFE* in Q2 2014. There was selling expenses related to one film, *COLD EYES*, in Q2 2013.

## **General and administrative expenses**

### **6M 2014 vs 6M 2013**

General and administrative expenses increased by US\$0.51 million or 38% YoY from US\$1.34 million in 6M 2013 to US\$1.85 million in 6M 2014. The increase was mainly due to an increase in personnel expenses of US\$0.47 million from US\$0.74 million in 6M 2013 to US\$1.21 million in 6M 2014. The increase in personnel expenses was mainly due to the increase in the number of employees.

### **Q2 2014 vs Q2 2013**

General and administrative expenses increased by US\$0.38 million or 62% YoY from US\$0.61 million in Q2 2013 to US\$0.99 million in Q2 2014. The increase was mainly due to an increase in personnel expenses of US\$0.53 million from US\$0.25 million in Q2 2013 to US\$0.78 million in Q2 2014, set off by decrease in impairment losses on goodwill of US\$0.13 million from US\$0.13 million in Q2 2013 to nil in Q2 2014. The increase in personnel expenses was mainly due to the increase in the number of employees.

## **Finance costs**

### **6M 2014 vs 6M 2013**

Finance costs increased by US\$0.03 million or 100% from US\$0.04 million in 6M 2013 to US\$0.07 million in 6M 2014 mainly due to an increase in the interest expenses on bank loans and convertible bonds in 6M 2014.

### **Q2 2014 vs Q2 2013**

Finance costs increased by US\$0.01 million or 80% YoY from US\$0.02 million in Q2 2013 to US\$0.03 million in Q2 2014 mainly due to an increase in the interest expenses on bank loans and convertible bonds in Q2 2014.

## **Loss/Profit before tax**

### **6M 2014 vs 6M 2013**

As a result of the above, our loss before tax increased by US\$0.26 million or 38% YoY from a loss before tax of US\$0.69 million in 6M 2013 as compared to a loss before tax of US\$0.95 million in 6M 2014.

## **Q2 2014 vs Q2 2013**

As a result of the above, we recorded a loss before tax of US\$0.48 million in Q2 2014 as compared to a profit before tax of US\$0.01 million in Q2 2013.

### **Consolidated Statement of Financial Position**

#### **Non-current assets**

The Group's non-current assets amounted to US\$4.47 million as at 30 June 2014. The decrease in non-current assets from US\$6.27 million as at 31 December 2013 was mainly due to:

- i) Decrease in loans to a related party of US\$2.00 million; and
- ii) Partially offset by an increase in property, plant and equipment of US\$0.12 million attributable to a building under construction and an increase in film production inventories of US\$0.04 million.

#### **Current assets**

The Group's current assets amounted to US\$27.01 million as at 30 June 2014. The increase in current assets from US\$19.57 million as at 31 December 2013 was mainly due to:

- i) Increase in investments of US\$4.40 million primarily due to investment into convertible bonds of US\$2.00 million issued by UAA Korea Co., Ltd. (a talent management agency in Korea), convertible bonds of US\$0.26 million issued by Breakfastfilm Co., Ltd. (a commercial film and music video production company) and investments in film projects and film investment funds of US\$1.57 million; and
- ii) Increase in trade and other receivables of US\$4.18 million consistent with the growth in revenue; and
- iii) Increase in film production inventories of US\$3.16 million mainly due to movies that are nearing the completion stage; and
- iv) Partially offset by decrease in cash and cash equivalents of US\$4.30 million.

#### **Non-current liabilities**

The Group's non-current liabilities amounted to US\$0.12 million as at 30 June 2014. The decrease in non-current liabilities from US\$1.42 million as at 31 December 2013 was mainly attributable to the conversion of convertible bonds of US\$1.30 million.

#### **Current liabilities**

The Group's current liabilities amounted to US\$17.46 million as at 30 June 2014. The increase in current liabilities from US\$15.43 million as at 31 December 2013 was mainly due to an increase of US\$3.66 million in film obligations and production loans related to advances which have been received from customers for films under production and an increase in trade and other payables of US\$0.23 million due to movies that are nearing the completion stage, partially offset by a decrease of US\$1.18 million in tax payables and a decrease of US\$0.75 million in deferred revenue.



## Consolidated Statement of Cash Flow

As at 30 June 2014, the Group had cash and cash equivalents amounting to US\$4.91 million as compared to cash and cash equivalents amounting to US\$1.61 million as at 30 June 2013.

The significant cash movements during Q2 2014 as compared to Q2 2013 can be summarized as follows:

Cash flow used in operating activities for Q2 2014 amounted to US\$2.89 million as compared to cash flow generated from operating activities of US\$0.28 million for Q2 2013. The cash flow used in operating activities for Q2 2014 was mainly due to the changes in working capital resulting from an increase in receivables of US\$2.31 million, a net increase in investment in theatrical film projects of US\$1.08 million, which was offset by an increase in film obligations and production loans of US\$1.07 million.

Cash flow used in investing activities for Q2 2014 was US\$1.17 million as compared to cash flow used in investing activities of US\$0.77 million for Q2 2013. The cash flow used in investing activities for Q2 2014 was mainly due to investment into convertible bonds of UAA Korea Co., Ltd and film investment funds of US\$1.51 million, offset by the collection of loans amounting to US\$0.47 million.

Cash flow generated from financing activities was US\$4.30 million for Q2 2014 as compared to cash flow generated from financing activities of US\$0.73 million for Q2 2013. The cash generated from financing activities in Q2 2014 was mainly due to the issuance of shares totaling US\$4.25 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. 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 28 August 2014, the overall Korean box office revenues are flat YoY while total ticket admissions are down 6%. After posting a record number of overall admissions and revenues in 2013 due to several well performing domestic films (including *SNOWPIERCER* and *COLD EYES*), the Korean box office YTD 2014 has been characterized by an unusual number of Hollywood blockbuster films including *FROZEN*, *TRANSFORMERS: AGE OF EXTINCTION*, *GUARDIANS OF THE GALAXY*, *DAWN OF THE PLANET OF THE APES*, *EDGE OF TOMORROW*, *X-MEN: DAYS OF FUTURE PAST*, *CAPTAIN AMERICA: THE WINTER SOLDIER*, AND *THE AMAZING SPIDER-MAN 2*. Meanwhile, two major events severely depressed the domestic box office: 1) the tragic sinking of the Sewol Ferry in 2Q 2014, which included more than 300 students, and 2) the 2014 Brazil World Cup, which lasted one month starting from 12 June 2014. In sympathy for the Sewol victims, Korean films in May were quietly released without any press conferences, VIP previews or relevant interviews. At the end of 2Q 2014, Korean films' admissions fell 35% YoY and revenues dropped 32% YoY, while foreign films' admissions grew 33% and revenues increased 39% YoY.

August 2014 witnessed a revival of the Korean box office led by the record setting performance of *ROARING CURRENTS*, demonstrating that the summer market of top Korean films can accommodate more than 20 million admissions. With no major Hollywood movie planned for release in the Korean market for the rest of the year, the

Group expects Korean films to regain market share in the second half of 2014. *MY BRILLIANT LIFE*, produced by Zip Cinema, will be released on 3 September 2014 for the Chuseok holiday weekend, and *BIG MATCH*, which is presented by Opus Pictures, will be released in December 2014.

**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:**

Not applicable.

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

No dividend has been declared or recommended for Q2 2014.

**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 2Q 2014.

#### 14. Use of IPO proceeds

The Company refers to the gross proceeds amounting to S\$13.00 million raised from the IPO on the Catalist Board of the SGX-ST on 22 July 2014.

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

##### Use of IPO Proceeds

	<b>Amount allocated (S\$'000)</b>	<b>Amount utilised (S\$'000)</b>	<b>Balance (S\$'000)</b>
Investment into films produced by us or third parties	5,500	-	5,500
Expansion of our Group's operations via acquisition, joint ventures and investments	2,000	-	2,000
Establishment of overseas offices	1,000	-	1,000
General working capital	2,337	161 <sup>(1)</sup>	2,176
IPO expenditure	2,163	2,163 <sup>(1)</sup>	-
<b>Total</b>	<b>13,000</b>	<b>2,324</b>	<b>10,676</b>

Note:

(1) The Company has reallocated approximately S\$161,000 allocated for general working capital for the payment of IPO related expenses.

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

To the best of the Board of Directors' knowledge, nothing has come to their attention, which may render the unaudited financial results for the 3 months and 6 months financial periods ended 30 June 2014 to be false or misleading in any material aspect.

##### **BY ORDER OF THE BOARD**

Charles Choi Spackman

Executive Chairman

Date: 29 August 2014