

spackmanentertainmentgroup

(Company Registration No.:201401201N)

Unaudited Financial Statement and Dividend Announcement For the Three Months and the Six Months Ended 30 June 2015

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.

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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 2015 ("**Q2 2015**") and the six months financial period ended 30 June 2015 ("**6M 2015**"), and the comparative 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**"), 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 2014.

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 2015 (Unaudited) US\$'000	30 June 2014 (Unaudited) US\$'000	Change %	30 June 2015 (Unaudited) US\$'000	30 June 2014 (Unaudited) US\$'000	Change %
	Revenue	4,411	4,809	(8)	6,276	8,745
Cost of sales	(4,453)	(4,285)	4	(5,815)	(7,902)	(26)
Gross (loss)/profit	(42)	524	NM	461	843	(45)
Other income	73	113	(35)	187	294	(36)
Selling expenses	(439)	(96)	357	(551)	(165)	234
General and administrative expenses	(1,145)	(993)	15	(2,871)	(1,848)	55
Finance costs	(45)	(27)	67	(67)	(74)	(9)
Loss before tax	(1,598)	(479)	234	(2,841)	(950)	199
Tax expense	(48)	(1)	NM	(45)	(1)	NM
Loss for the period	(1,646)	(480)	243	(2,886)	(951)	204
Other comprehensive income						
<i>Items that are or may be reclassified subsequently to profit or loss</i>						
Currency translation difference arising from consolidation	391	376	4	355	245	45
Total comprehensive loss for the period	(1,255)	(104)	(1,107)	(2,531)	(706)	259
Loss for the period attributable to:						
Equity holders of the Company	(1,522)	(456)	234	(2,761)	(898)	207
Non-controlling interests	(124)	(24)	417	(125)	(53)	136
	(1,646)	(480)	243	(2,886)	(951)	203
Total comprehensive loss for the period attributable to:						
Equity holders of the Company	(1,096)	(98)	1,018	(2,364)	(653)	262
Non-controlling interests	(159)	(6)	2,550	(167)	(53)	215
	(1,255)	(104)	1,107	(2,531)	(706)	258

NM – Not meaningful

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

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

	Three Months Ended			Six Months Ended		
	30 June 2015	30 June 2014	Change	30 June 2015	30 June 2014	Change
	(Unaudited) US\$'000	(Unaudited) US\$'000		(Unaudited) US\$'000	(Unaudited) US\$'000	
Personnel expenses	981	779	26	1,771	1,207	47
Rent expense	152	175	(13)	349	236	48
Service fees	277	33	300	671	184	186
Travel expenses	39	78	(50)	69	131	(47)
Depreciation and amortization	39	26	50	76	44	73
Utilities	5	4	25	15	11	36
Supplies	20	22	(9)	54	37	46
Communication	8	4	100	15	7	114
Interest income	(36)	(44)	(18)	(101)	(70)	44
Loss/(gain) from investments, net	(5)	99	NM	(13)	(17)	(24)
Foreign exchange loss/(gain), net	(19)	(28)	(32)	124	(23)	NM

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 2015 (Unaudited) US\$'000	31 December 2014 (Audited) US\$'000	30 June 2015 (Unaudited) US\$'000	31 December 2014 (Audited) US\$'000
Assets				
Investment in subsidiaries	-	-	16,245	14,635
Investment in associates	2,402	-	2,477	-
Property, plant and equipment	1,700	903	14	1
Intangible assets	4,239	3,518	-	-
Film production inventories	3,620	1,683	-	-
Deferred tax assets	347	336	-	-
Loan to a subsidiary	-	-	1,870	1,900
Non-current assets	12,308	6,440	20,606	16,536
Investments	5,914	3,490	-	244
Trade and other receivables	7,755	8,497	94	1,241
Film production inventories	4,751	1,428	-	-
Inventories	5	8	-	-
Cash and cash equivalents	7,612	12,176	1,535	4,472
Current assets	26,037	25,599	1,629	5,957
Total assets	38,345	32,039	22,235	22,493
Liabilities				
Borrowings	742	-	-	-
Other non-current liabilities	42	2	-	-
Deferred tax liabilities	115	115	-	-
Non-current liabilities	899	117	-	-
Trade and other payables	4,312	6,286	167	250
Deferred revenue	7,641	2,875	-	-
Borrowings	1,580	1,237	-	-
Film obligation and production loans	8,152	4,100	-	-
Current liabilities	21,685	14,498	167	250
Total liabilities	22,584	14,615	167	250
Net assets	15,761	17,424	22,068	22,243
Share capital and reserves				
Share capital	25,019	24,428	25,019	24,428
Other reserves	(2,834)	(2,715)	-	-
Retained earnings	(8,295)	(5,533)	(2,951)	(2,185)
Equity attributable to equity holders of the Company, total	13,890	16,180	22,068	22,243
Non-controlling interests	1,871	1,244	-	-
Total equity	15,761	17,424	22,068	22,243

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

Amount repayable in one year or less, or on demand

As at 30 June 2015 (Unaudited)		As at 31 December 2014 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
1,580	-	1,237	-

Amount repayable after one year

As at 30 June 2015 (Unaudited)		As at 31 December 2014 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
742	-	-	-

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		6 Months Ended	
	30 June 2015 (Unaudited) US\$'000	30 June 2014 (Unaudited) US\$'000	30 June 2015 (Unaudited) US\$'000	30 June 2014 (Unaudited) US\$'000
Operating activities				
Loss before income tax	(1,598)	(479)	(2,841)	(950)
Adjustments for:				
Depreciation and amortization	42	26	79	44
Interest income	(36)	(44)	(101)	(70)
Interest expense	45	27	67	74
Reversal of doubtful receivables	(39)	-	(46)	-
Reversal of impairment loss on investment in theatrical film projects	-	(13)	-	(20)
Loss on short term investments	77	4	69	5
Gain on disposal of property, plant and equipment	(2)	-	(2)	-
Operating loss before working capital changes	(1,511)	(479)	(2,775)	(917)
Working capital changes				
Inventories	143	(3)	209	725
Film production inventories	(2,223)	1,019	(5,074)	(2,173)
Investment in theatrical film projects, net	(127)	(1,081)	(127)	(1,290)
Receivables	(1,515)	(2,310)	1,578	(4,381)
Payables	2,339	(923)	(205)	(3,110)
Film obligations and production loans	1,145	1,067	3,234	3,180
Currency translation adjustments	47	(30)	45	(25)
Cash used in operations	(1,702)	(2,740)	(3,115)	(7,991)
Interest paid	(10)	(11)	(51)	(26)
Interest received	54	208	92	225
Income tax paid	(33)	(346)	(85)	(618)
Net cash used in operating activities	(1,691)	(2,889)	(3,159)	(8,410)
Investing activities				
Loans granted	(291)	-	(318)	(205)
Collection of loans	751	471	866	2,531
Purchases of property, plant and equipment	(618)	(130)	(908)	(120)
Acquisition of subsidiaries	-	-	(509)	-
Acquisition of associates	(1,000)	-	(1,000)	-
Investment in short term investments	(1,586)	(1,514)	(1,766)	(2,557)
Proceeds from disposal of short term investments	590	-	995	-
Net cash used in investing activities	(2,154)	(1,173)	(2,640)	(351)

Financing activities

Repayment of loans	(563)	(37)	(836)	(37)
Additional loans	1,738	86	2,038	151
Issuance of shares	-	4,252	-	4,252
Net cash from financing activities	1,175	4,301	1,202	4,366
Net change in cash and cash equivalents	(2,670)	239	(4,597)	(4,395)
Cash and cash equivalents at beginning of financial period	10,230	4,626	12,176	9,214
Effect of exchange rate changes	52	47	33	93
Cash and cash equivalents at end of the financial period	7,612	4,912	7,612	4,912

Cash and cash equivalents comprise:

Cash and bank balances	3,626	4,557	3,626	4,557
Money market funds	3,986	355	3,986	355
	7,612	4,912	7,612	4,912

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	Other reserve	(Accumulated losses)/retained earnings	Total	Non-controlling interests	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
Balance as at 1 April 2015	25,019	(2,743)	(6,773)	15,503	2,030	17,533
Loss for the period	-	-	(1,522)	(1,522)	(124)	(1,646)
<i>Other comprehensive profit for the period</i>						
Currency translation difference on consolidation	-	(91)	-	(91)	(35)	(126)
	-	(91)	(1,522)	(1,613)	(159)	(1,772)
Balance as at 30 June 2015	25,019	(2,834)	(8,295)	13,890	1,871	15,761
Balance as at 1 April 2014	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)	-	-	-	-
Balance as at 30 June 2014	14,544	(2,190)	1,550	13,904	(9)	13,895

Statement of Changes in Equity

Company (unaudited)	← Attributable to equity holders of the Company →					Non-controlling interests	Total equity
	Share capital	Other reserve	(Accumulated losses)/retained earnings	Total			
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
Balance as at 1 April 2015	25,019	-	(2,530)	22,489	-	22,489	
Loss and total comprehensive loss for the period	-	-	(421)	(421)	-	(421)	
Balance as at 30 June 2015	25,019	-	(2,951)	22,068	-	22,068	
Balance as at 1 April 2014	-	-	-	-	-	-	
Issue of ordinary shares due to the restructuring exercise	14,544	-	-	14,544	-	14,544	
Balance as at 30 June 2014	14,544	-	-	14,544	-	14,544	

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

Shares Capital – Ordinary Shares

	<u>Number of shares</u>	<u>Issued and paid-up share capital</u>
Balance as at 1 April 2015 and 30 June 2015	398,770,209	US\$25,019,233

The Company did not have any outstanding options, convertibles or treasury shares as at 30 June 2015 and 30 June 2014.

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

	<u>As at 30 June 2015</u>	<u>As at 31 December 2014</u>
Total number of issued shares	398,770,209	395,310,000

The Company did not have any treasury shares as at 30 June 2015 and 31 December 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 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 2014 ("FY2014").

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 FY2014, 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 2015. 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

	Group		Group	
	3 months ended		6 months ended	
Loss per share ("LPS")	30 June	30 June	30 June	30 June
	2015	2014	2015	2014
Loss attributable to shareholders of the Company (US\$)	1,521,772	455,865	2,761,282	897,867
Weighted average number of ordinary shares in issue	398,770,209	395,310,000 ⁽¹⁾	398,617,272	395,310,000 ⁽¹⁾
Basic and fully diluted basis LPS (US cents) ⁽¹⁾	0.382 ⁽²⁾	0.115 ⁽²⁾	0.693 ⁽²⁾	0.227 ⁽²⁾
Adjusted LPS (US cents) ⁽³⁾	0.382	0.114	0.692	0.225

Notes:

- (1) Assuming that the Company's IPO had taken place on 10 January 2014 (i.e., the Company's date of incorporation).
- (2) 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.
- (3) 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 30 June 2015.

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	
	30 June	31 December	30 June	31 December
	2015	2014	2015	2014
Net asset value (US\$)	15,761,446	17,424,117	22,068,351	22,242,715
Number of ordinary shares in issue	398,770,209	395,310,000	398,770,209	395,310,000
Net asset value per ordinary share (US\$)	0.040	0.044	0.055	0.056

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 2015 vs 6M 2014

The breakdown of revenue in 6M 2015 and 6M 2014 is as follows:

Source of revenue	Group	
	6M 2015 (Unaudited) US\$ million	6M 2014 (Unaudited) US\$ million
Production of films	-	8.21
Distribution of films and others (*)	1.45	0.32
Production of documentaries	0.99	0.20
Restaurant sales and café lounge business	0.17	0.02
Talent management	3.59	-
Photography	0.08	-
Total	6.28	8.75

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

Revenue decreased by approximately US\$2.47 million or 28% year-on-year (“YoY”) from US\$8.75 million in 6M 2014 to US\$6.28 million in 6M 2015. The decrease arose mainly because there were no films under production during 6M 2015, where the Group is the producer but the presenter is a third party. Comparatively, *MY BRILLIANT LIFE* (produced by an indirect wholly-owned subsidiary of the Company, Zip Cinema and presented by a third party, CJ E&M) was under production during 6M 2014. 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 the presenter, revenue from the production of films will only be recognised upon the release of a film.

In 6M 2015, the Group distributed several motion films including *BIG MATCH*, *MY BRILLIANT LIFE*, *FOR THE EMPEROR* and others which generated distribution revenue of US\$1.45 million. In addition, US\$4.83 million of revenue was generated from the production of documentaries (US\$0.99 million), talent management (US\$3.59 million), restaurant sales from our café lounge business (US\$0.17 million) and photography (US\$0.08 million). Following the conversion of the convertible notes of UAA Korea Co., Ltd. (“UAA”) held by a wholly-owned subsidiary of the Company on 31 December 2014 and the acquisition of a 60.24% stake in noon pictures Co., Ltd. (“noon pictures”) which was completed in November 2014, the Group recorded maiden revenue contribution from UAA’s talent management business and noon pictures’ photography business in 6M 2015.

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.

Q2 2015 vs Q2 2014

The breakdown of revenue in Q2 2015 and Q2 2014 is as follows:

Source of revenue	Group	
	Q2 2015	Q2 2014
	(Unaudited)	(Unaudited)
	US\$ million	US\$ million
Production of films	-	4.48
Distribution of films and others (*)	0.81	0.18
Production of documentaries	0.31	0.13
Restaurant sales and café lounge business	0.07	0.02
Talent management	3.18	-
Photography	0.04	-
Total	4.41	4.81

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

Revenue decreased by approximately US\$0.40 million or 8% YoY from US\$4.81 million in Q2 2014 to US\$4.41 million in Q2 2015.

In Q2 2015, the Group distributed several motion films including *BIG MATCH*, *MY BRILLIANT LIFE*, *FOR THE EMPEROR* and others, which generated distribution revenue of US\$0.81 million. In addition, US\$3.60 million of revenue was generated from the production of documentaries (US\$0.31 million), talent management (US\$3.18 million), restaurant sales from our café lounge business (US\$0.07 million), and photography services (US\$0.04 million).

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.

Cost of sales

6M 2015 vs 6M 2014

The breakdown of cost of sales in 6M 2015 and 6M 2014 is as follows:

	Group	
	6M 2015 (Unaudited) US\$ million	6M 2014 (Unaudited) US\$ million
Cost of sales		
Production of films	-	7.55
Distribution of films and others(*)	1.37	-
Production of documentaries	1.10	0.35
Restaurant sales and café lounge business	0.06	-
Talent management	3.28	-
Total	5.81	7.90

(*) Cost of sales from distribution 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.

Our cost of sales decreased by US\$2.09 million or 26.5% YoY from US\$7.90 million in 6M 2014 to US\$5.81 million in 6M 2015, mainly because there were no films under production during 6M 2015, where the Group is the producer but the presenter is a third party.

In 6M 2015, cost of sales incurred from distribution of several motion films including *BIG MATCH*, *MY BRILLIANT LIFE*, *FOR THE EMPEROR* and others was US\$1.37 million. In addition, US\$4.44 million of cost of sales was incurred from the production of documentaries (US\$1.10 million), talent management (US\$3.28 million) and the café lounge business (US\$0.06 million).

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 mainly from the production of documentaries.

Q2 2015 vs Q2 2014

The breakdown of cost of sales in Q2 2015 and Q2 2014 is as follows:

	Group	
	Q2 2015 (Unaudited) US\$ million	Q2 2014 (Unaudited) US\$ million
Cost of sales		
Production of films	-	4.04
Distribution of films and others(*)	0.82	-
Production of documentaries	0.42	0.25
Restaurant sales and café lounge business	0.04	-
Talent management	3.17	-
Total	4.45	4.29

(*) Cost of sales from distribution 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.

Our cost of sales increased by US\$0.16 million or 3.7% YoY from US\$4.29 million in Q2 2014 to US\$4.45 million in Q2 2015. There were no cost of sales for the production of films in 2Q 2015 because there were no films under production during Q2 2015, where the Group is the producer but the presenter is a third party.

The increase in cost of sales in Q2 2015 was mainly attributable to the cost of sales of US\$0.82 million incurred from distribution of several motion films including *BIG MATCH*, *MY BRILLIANT LIFE*, *FOR THE EMPEROR* and others and US\$3.63 million of cost of sales incurred from the production of documentaries (US\$0.42 million), talent management (US\$3.17 million) and the café lounge business (US\$0.04 million).

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, respectively. In addition, US\$0.25 million of cost of sales was incurred mainly from the production of documentaries.

Other income

6M 2015 vs 6M 2014

Other income totaled US\$0.19 million in 6M 2015 as compared to US\$0.29 million in 6M 2014. Other income comprised interest income of US\$0.10 million (6M 2014: US\$0.07 million), rental income of US\$0.01 million (6M 2014: US\$0.02 million), gain on investments of US\$0.013 million (6M 2014: US\$0.17 million) and miscellaneous income of US\$0.07 million (6M 2014: US\$0.04 million) in 6M 2015.

Q2 2015 vs Q2 2014

Other income totaled US\$0.07 million in 2Q 2015 as compared to US\$0.11 million in 2Q 2014. Other income comprised interest income of US\$0.04 million (Q2 2014: US\$0.04 million), rental income of US\$0.01 million (Q2 2014: US\$0.01 million), nil of foreign exchange gain (Q2 2014: US\$0.02 million) and miscellaneous income of US\$0.03 million (Q2 2013: US\$0.04 million) in Q2 2015.

Selling expenses

6M 2015 vs 6M 2014

Selling expenses increased by US\$0.39 million or 234% YoY from US\$0.17 million in 6M 2014 to US\$0.55 million in 6M 2015. The increase was mainly due to the expenses related to *BIG MATCH* and *MY BRILLIANT LIFE* in 6M 2015. There were selling expenses incurred related to one film, *COLD EYES*, in 6M 2014. In addition, there were selling expenses incurred from UAA, Novus Mediacorp Co., Ltd. (“Novus Mediacorp”) and noon pictures during 6M 2015.

Q2 2015 vs Q2 2014

Selling expenses increased by US\$0.34 million or 357% from US\$0.10 million in Q2 2014 to US\$0.44 million in Q2 2015. The increase was mainly due to the expenses related to *FOR THE EMPEROR*, *CONFESSION*, and *MY BRILLIANT LIFE* in Q2 2015. There were selling expenses incurred related to one film, *COLD EYES*, in Q2 2014. In addition, there were selling expenses incurred from UAA, Novus Mediacorp and noon pictures during Q2 2015.

General and administrative expenses

6M 2015 vs 6M 2014

General and administrative expenses increased by US\$1.02 million or 55% YoY from US\$1.85 million in 6M 2014 to US\$2.87 million in 6M 2015. The increase was mainly due to an increase in personnel expenses of US\$0.56 million from US\$1.21 million in 6M 2014 to US\$1.77 million in 6M 2015 and an increase in service fees of US\$0.49 million from US\$0.18 in 6M 2014 to US\$0.67 million in 6M 2015. The increase in personnel expenses and service fees was mainly due to an increase in the number of employees after the acquisition of UAA Korea, Novus Mediacorp and noon pictures. In addition, the increase in service fees was partially due to the increase in professional fees as the Group transitioned to a public listed company.

Q2 2015 vs Q2 2014

General and administrative expenses increased by US\$0.15 million or 15% YoY from US\$0.99 million in Q2 2014 to US\$1.15 million in Q2 2015. The increase was mainly due to an increase in personnel expenses of US\$0.20 million from US\$0.78 million in Q2 2014 to US\$0.98 million in Q2 2015, offset by a reversal of allowance for doubtful debt of US\$0.05 from nil in Q2 2014 to US\$0.05 in Q2 2015. The increase in personnel expenses was mainly due to an increase in the number of employees after the acquisition of UAA, Novus Mediacorp and noon pictures.

Finance costs

6M 2015 vs 6M 2014

There was no significant change in finance costs (6M 2015: US\$0.07 million; 6M 2014: US\$0.07 million).

Q2 2015 vs Q2 2014

Finance costs increased by US\$0.02 million or 67% YoY from US\$0.03 million in Q2 2014 to US\$0.05 million in Q2 2015 mainly due to an increase in the interest expenses on bank loans in Q2 2015.

Loss before tax

6M 2015 vs 6M 2014

As a result of the above, our loss before tax increased by US\$1.89 million or 199% YoY from a loss before tax of US\$0.95 million in 6M 2014 as compared to a loss before tax of US\$2.84 million in 6M 2015.

Q2 2015 vs Q2 2014

As a result of the above, we recorded a loss before tax of US\$1.60 million in Q2 2015 as compared to a loss before tax of US\$0.48 million in Q2 2014.

Consolidated Statement of Financial Position

Non-current assets

The Group's non-current assets amounted to US\$12.31 million as at 30 June 2015. The increase in non-current assets from US\$6.44 million as at 31 December 2014 was mainly due to:

- i) Increase in investment in associates of US\$2.40 million from the subscription of Spackman Media Group Pte. Ltd.;
- ii) Increase in film production inventories of US\$1.94 million mainly related to several movies in the development stage;
- iii) Increase in intangible assets of US\$0.72 million from the acquisition of Novus Mediacorp, relating to goodwill; and
- iv) Increase in property, plant and equipment of US\$0.80 million due to the construction of a building.

Current assets

The Group's current assets amounted to US\$26.04 million as at 30 June 2015. The increase in current assets from US\$25.60 million as at 31 December 2014 was mainly due to:

- i) Increase in investments of US\$2.42 million primarily due to investment into financial instruments at banks;
- ii) Increase in film production inventories of US\$3.32 million mainly due to *THE PRIESTS* (produced by Zip Cinema and presented by Opus Pictures) which is slated for release in the 2nd half of 2015; and
- iii) Partially offset by decrease in cash and cash equivalents of US\$4.57 million and a decrease in trade and other receivables of US\$0.74 million.

Non-current liabilities

The Group's non-current liabilities amounted to US\$0.90 million as at 30 June 2015. The increase in non-current liabilities from US\$0.12 million as at 31 December 2014 was mainly attributable to borrowings from the banks of US\$0.74 million mainly for the construction of a building.

Current liabilities

The Group's current liabilities amounted to US\$21.69 million as at 30 June 2015. The increase in current liabilities from US\$14.50 million as at 31 December 2014 was mainly due to:

- i) an increase of US\$4.76 million in deferred revenue arising mainly from minimum guarantees and advance receipts received by Novus Mediacorp for the ancillary distribution rights to several films;
- ii) an increase of US\$4.05 million in film obligations and production loans related to advances which have been received from customers for *THE PRIESTS* and other films under development; and
- iii) partially offset by a decrease of US\$1.97 million in trade and other payables.

Consolidated Statement of Cash Flow

As at 30 June 2015, the Group had cash and cash equivalents amounting to US\$7.61 million as compared to cash and cash equivalents amounting to US\$4.91 million as at 30 June 2014.

The significant cash movements during Q2 2015 as compared to Q2 2014 can be summarised as follows:

Cash flow used in operating activities for Q2 2015 amounted to US\$1.69 million as compared to cash used in operating activities of US\$2.89 million for Q2 2014. The cash flow used in operating activities for Q2 2015 was mainly due to the changes in working capital resulting from an increase in film production inventories of US\$2.22 million and an increase in receivables of US\$1.52 million, which was offset by an increase in payables of US\$2.34 million and an increase in film obligations and production loans of US\$1.15 million.

Cash flow used in investing activities for Q2 2015 was US\$2.15 million as compared to cash flow used in investing activities of US\$1.17 million for Q2 2014. The cash flow used in investing activities for Q2 2015 was mainly due to cash used for the subscription of Spackman Media Group Pte. Ltd. of US\$1.00 million and purchases of property, plant and equipment of US\$0.62 million, as well as investment in short term investments of US\$1.59 million, offset by the proceeds from disposal of short-term investments amounting to US\$0.60 million and collection of loans of US\$0.75 million.

Cash flow generated from financing activities was US\$1.18 million for Q2 2015 as compared to cash flow generated from financing activities of US\$4.30 million for Q2 2014. The cash generated from financing activities in Q2 2015 was mainly due to net proceeds from additional loans.

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 June 2015, the overall Korean box office turned in a performance similar to previous years. Total ticket admissions were slightly down 1.5% YoY, but cumulative revenues from movies released from 1 January 2015 to 30 June 2015 (including *ODE TO MY FATHER*) increased 2.6% YoY to US\$653 million due to an increase in average ticket prices. The increase in average ticket prices is mainly attributable to a rise in IMAX admissions.

The Korean box office was hit by the MERS outbreak from late May 2015 as moviegoers avoided crowded public places. As a result, weekend ticket admissions stayed consistently below 2 million for around a month before rebounding in mid-June as the country recovered from the outbreak. During this period, domestic films scheduled for release were also delayed.

In the first half of 2015, foreign films recorded a 57.5% market share, maintaining its market share for the second year in a row (57.0% in 2014). This was led by the US blockbuster, *THE AVENGERS: AGE OF ULTRON*, which sold more than 10 million tickets since its release in late April, which was boosted by Disney's decision to use Seoul as one of the principal shooting locations of the movie. *JURASSIC WORLD* garnered 4.6 million in ticket admissions, *MAD MAX: FURY ROAD* sold 3.9 million tickets while *FAST & FURIOUS 7* sold 3.2 million tickets, Disney's *BIG HERO 6* saw 2.8 million ticket admissions while *KINGSMAN: THE SECRET SERVICE* sold 6.1 million tickets.

As for domestic films, the sentimental drama, *ODE TO MY FATHER*, which was released in late 2014, dominated the Korean box office during the month of January with 8.9 million tickets sold in 2015 and 14.3 million admissions in total. February saw the release of the historical comedy, *DETECTIVE K: SECRET OF THE LOST ISLAND*, which sold 3.9 million tickets, and March was led by the coming-of-age comedy, *TWENTY* with 3.0 million tickets sold. June and July 2015 saw the release of two of the biggest domestic films of the year, *NORTHERN LIMITED LINE* and *ASSASSINATION*, which sold 6.0 million and 9.5 million tickets respectively as of 12 August 2015.

Typically, local Korean blockbusters dominate the peak summer season and national holidays. The Company's mystery-thriller movie *THE PRIESTS* (formerly referred to as *BLACK PRIESTS*) has completed filming, and is currently at the post-production stage. It is expected to open in Korean theatres by November 2015. It will be available in ScreenX format, and will be one of the first full-length films to be shown in theatres using this technology.

Additionally, filming for two upcoming movies, *MUSUDAN* and *CHASING*, presented and distributed by its indirect wholly-owned subsidiary Opus Pictures, have commenced in July 2015. Both movies are currently expected to be released in Korean theatres by the end of 2015.

(Source: Korean Film Council, www.kobis.or.kr; Variety.com, July 23, 2015)

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/recommended, a statement to that effect

No dividend has been declared or recommended for Q2 2015.

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 6M 2015.

14. 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	2,200	1,200	1,000
Expansion of the Group's operations via acquisitions, joint ventures and investments	4,800	4,723	77
Establishment of overseas offices	500	178	322
General working capital	3,337	2,976 ⁽²⁾	361
IPO expenditure	2,163	2,163	-
Total	13,000	11,240	1,760

Notes:

- (1) Please refer to the Company's announcements dated 9 January 2015 and 11 May 2015 on the previous reallocations of net IPO proceeds which were made (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\$2,639,559 has been utilised for payment to suppliers (S\$1,077,082), payment of salary and director's fees (S\$652,452), professional service fees (S\$421,159) and others (S\$488,866).

15. 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 and 6 months financial periods ended 30 June 2015 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Charles Choi Spackman

Executive Chairman

Date: 13 August 2015