

spackmanentertainmentgroup

(Company Registration No.: 201401201N)

Unaudited Financial Statement and Dividend Announcement For the Financial Year Ended 31 December 2014

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.

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 financial year ended 31 December 2014 ("**FY2014**"), and the comparative financial results of the Group for the financial year ended 31 December 2013 ("**FY2013**"), 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		
	Twelve Months Ended		
	31 December 2014 (Unaudited) US\$'000	31 December 2013 (Audited) US\$'000	Change %
Revenue	16,059	11,892	35
Cost of sales	(15,555)	(6,350)	145
Gross (loss)/profit	504	5,542	NM
Other income	535	462	16
Selling expenses	(661)	(345)	92
General and administrative expenses	(7,776)	(2,283)	241
Finance costs	(105)	(137)	(23)
(Loss)/profit before tax	(7,503)	3,239	NM
Tax expense	(562)	(633)	(11)
(Loss)/profit for the year	(8,065)	2,606	NM
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Currency translation difference arising from consolidation	(259)	188	NM
Total comprehensive (loss)/profit for the period	(8,324)	2,794	NM
(Loss)/profit for the period attributable to:			
Equity holders of the Company	(7,965)	2,684	NM
Non-controlling interests	(100)	(78)	28
	(8,065)	2,606	NM
Total comprehensive (loss)/profit for the period attributable to:			
Equity holders of the Company	(8,222)	2,872	NM
Non-controlling interests	(102)	(78)	31
	(8,324)	2,794	NM

NM – Not meaningful

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

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

	Twelve Months Ended		Change %
	31 December 2014	31 December 2013	
	(Unaudited) US\$'000	(Audited) US\$'000	
Personnel expenses	2,241	1,497	50
Rent	539	405	33
Service fees	517	212	144
IPO expenses	1,332	-	NM
Travel expenses	274	112	145
Depreciation and amortization	95	77	23
Utilities	26	25	4
Supplies	73	30	143
Communication	18	12	50
Bad debt expenses	634	-	NM
Impairment loss on film production inventory	1,455	108	1,247
Interest income	(225)	(237)	(5)
Gain from investments, net	(7)	(21)	(67)
Foreign exchange loss/(gain), net	448	(20)	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

Note	Group		Company	
	31 December 2014 (Unaudited) US\$'000	31 December 2013 (Audited) US\$'000	31 December 2014 (Unaudited) US\$'000	31 December 2013 (Unaudited) US\$'000
Assets				
Investment in subsidiary	-	-	14,635	-
Property, plant and equipment	903	706	1	-
Intangible assets	3,518	112	-	-
Film production inventories	1,683	2,561	-	-
Deferred tax assets	335	888	-	-
Loan to a subsidiary	-	-	1,900	-
Loan to a related party	-	2,001	-	-
Non-current assets	6,439	6,268	16,536	-
Investments	3,490	2,309	244	-
Trade and other receivables	8,513	2,675	1,241	-
Film production inventories	1,428	5,372	-	-
Inventories	8	2	-	-
Cash and cash equivalents	12,176	9,214	4,472	-
Current assets	25,615	19,572	5,957	-
Total assets	32,054	25,840	22,493	-
Liabilities				
Other non-current liabilities	2	7	-	-
Convertible bonds	-	1,301	-	-
Deferred tax liabilities	115	115	-	-
Non-current liabilities	117	1,423	-	-
Trade and other payables	6,285	2,219	250	-
Deferred revenue	2,875	2,364	-	-
Borrowings	1,237	1,260	-	-
Tax payables	-	1,224	-	-
Film obligation and production loans	4,101	8,358	-	-
Current liabilities	14,498	15,425	250	-
Total liabilities	14,615	16,848	250	-
Net assets	17,439	8,992	22,243	-
Share capital and reserves				
Share capital	24,428	2	24,428	-
Other reserves	(2,715)	6,498	-	-
Retained earnings	(5,517)	2,448	(2,185)	-
Equity attributable to equity holders of the Company, total	16,196	8,948	22,243	-
Non-controlling interests	1,243	44	-	-
Total equity	17,439	8,992	22,243	-

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

Amount repayable in one year or less, or on demand

As at 31 December 2014 (Unaudited)		As at 31 December 2013 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
1,237	-	1,260	-

Amount repayable after one year

As at 31 December 2014 (Unaudited)		As at 31 December 2013 (Audited)	
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	
	12 Months ended 31 December 2014 (Unaudited) US\$'000	12 Months ended 31 December 2013 (Audited) US\$'000
Operating activities		
(Loss)/Profit before income tax	(7,503)	3,239
Adjustments for:		
Depreciation and amortization	95	77
Interest income	(225)	(237)
Interest expense	105	137
Reversal of impairment loss on investment in theatrical film projects	-	(8)
Impairment loss on film production inventory	1,455	108
Gain on investments	(2)	(13)
Allowance/(recovery) for doubtful receivables	634	(133)
Gain on disposal of property and equipment	-	(1)
Loss on disposal of property and equipment	64	-
Goodwill written-off	-	112
Waiver of debts by a related party	-	(113)
Effect of foreign exchange rate changes	152	48
Operating (loss)/profit before working capital changes	(5,227)	3,216
Working capital changes		
Investment in theatrical film projects, net	-	61
Inventories	(6)	(1)
Film production inventories	3,367	(2,758)
Receivables	(5,460)	(1,286)
Payables	4,572	3,032
Film obligations and production loans	(4,257)	2,203
Cash (used in)/generated from operations	(7,011)	4,467
Interest paid	225	(137)
Interest received	(105)	237
Income tax paid	(1,234)	(430)
Net cash (used in) / generated from operating activities	(8,125)	4,137
Investing activities		
Proceeds from disposal of property and equipment	-	21
Purchases of property and equipment	(349)	(43)
Purchases of intangible assets	(1)	(54)
Acquisition of subsidiaries	(1,760)	(129)

Refund from land acquisition	-	75
Reorganisation of subsidiaries under common control	-	(1,443)
Investment in short term investments	(132)	(2,109)
Net cash used in investing activities	(2,242)	(3,682)
Financing activities		
Issue of convertible bonds	-	1,408
Repayment of loans	(398)	(486)
Additional loans	375	731
Issuance of shares, net	13,760	3,740
Net cash from financing activities	13,737	5,393
Net change in cash and cash equivalents	3,370	5,848
Cash and cash equivalents at beginning of financial period	9,215	3,318
Effect of exchange rate changes	(409)	48
Cash and cash equivalents at end of the financial period	12,176	9,214
Cash and cash equivalents comprise:		
Cash and bank balances	11,219	4,039
Money market funds	957	5,175
	12,176	9,214

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 →					
	Share capital	Other reserve	(Accumulated losses)/retained earnings	Total	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 January 2014	2	6,498	2,448	8,948	44	8,992
Loss for the period	-	-	(7,965)	(7,965)	(100)	(8,065)
<i>Other comprehensive profit for the period</i>						
Currency translation difference on consolidation	-	(257)	-	(257)	(2)	(259)
	-	(257)	(7,965)	(8,222)	(102)	(8,324)
<i>Transaction with equity holders of the Company</i>						
Issue of ordinary shares	9,884	4,251	-	14,135	-	14,135
Conversion of convertible bonds	-	1,335	-	1,335	-	1,335
Acquisition of a subsidiary	-	-	-	-	1,301	1,301
Issuance of ordinary shares due to restructuring exercise	14,542	(14,542)	-	-	-	-
Balance as at 31 December 2014	24,428	(2,715)	(5,517)	16,196	1,243	17,439
Balance as at 1 January 2013	1	4,138	(307)	3,832	56	3,888
Profit for the year	-	-	2,684	2,684	(78)	2,606
<i>Other comprehensive profit for the period</i>						
Currency translation difference on consolidation	-	187	-	187	1	188
	-	187	2,684	2,871	(77)	2,794
<i>Transaction with equity holders of the Company</i>						
Issue of ordinary shares	1	3,740	-	3,741	-	3,741
Issue of convertible bonds	-	107	-	107	-	107
Acquisition under common control	-	(1,674)	71	(1,603)	65	(1,538)
Balance as at 31 December 2013	2	6,498	2,448	8,948	44	8,992

Statement of Changes in Equity

Company (unaudited)	← Attributable to equity holders of the Company →					
	Share capital	Other reserve	(Accumulated losses)/retained earnings	Total	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 10 January 2014*	-	-	-	-	-	-
Issue of ordinary shares	9,884	-	-	9,884	-	9,884
Issuance of ordinary shares due to restructuring exercise	14,544	-	-	14,544	-	14,544
Loss for the year	-	-	(2,185)	(2,185)	-	(2,185)
Balance as at 31 December 2014	24,428	-	(2,185)	22,243	-	22,243

* The Company was incorporated on 10 January 2014. Therefore, there is no comparative statement of changes in equity for the Company from 1 January 2013 to 31 December 2013.

- 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 30 September 2014 and 31 December 2014	395,310,000	S\$30,459,706

The Company did not have any outstanding options, convertibles or treasury shares as at 31 December 2014 and 31 December 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>31 December 2014</u>	<u>31 December 2013</u>
Total number of issued shares	395,310,000	N/A

The Company did not have any treasury shares as at 31 December 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 most recently 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

Loss per share ("LPS")	Twelve Months Ended 31 December 2014
Loss attributable to equity holders of the Company (US\$)	7,965,480
Basic and fully diluted basis LPS (US cents) ⁽¹⁾	2.01

Notes:

- (1) For illustrative purposes, the basic and fully diluted basic LPS of the Group for FY2014 was calculated based on the issued ordinary share capital of 395,310,000 shares post the Company's IPO.
- (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 FY2013.

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 31 December 2014	Company 31 December 2014
Net asset value (US\$)	17,439,420	22,242,715
Number of ordinary shares in issue	395,310,000	395,310,000
Net asset value per ordinary share (US\$)	0.044	0.056

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

FY2014 vs FY2013

Revenue increased by approximately US\$4.17 million or 35% year-on-year (“YoY”) from US\$11.89 million in FY2013 to US\$16.06 million in FY2014. 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), *MY BRILLIANT LIFE* (produced by an indirect wholly-owned subsidiary of the Company, Zip Cinema) and *BIG MATCH* (presented by Opus Pictures).

In FY2014, the Group generated US\$3.74 million, US\$4.38 million, US\$5.10 million, and US\$0.80 million in film production and other film related revenue from *FOR THE EMPEROR*, *CONFESSION*, *MY BRILLIANT LIFE* and *BIG MATCH*, respectively. The Group also distributed several motion films including *NOW IS GOOD*, *MONSTER*, *COLD EYES* and others which generated distribution revenue of US\$0.81 million. In addition, US\$0.91 million, US\$0.19 million and US\$0.13 million of revenue was generated from the production of documentaries, consultancy services and restaurant sales from our café lounge business, respectively.

In FY2013, the Group generated US\$10.35 million and US\$0.21 million in film production and other film related revenue from *COLD EYES* (produced by Zip Cinema and presented by Opus Pictures) and *ALL ABOUT MY WIFE* (produced by Zip Cinema), respectively. The distribution revenue from several motion films totaled US\$0.35 million. In addition, US\$0.45 million, US\$0.19 million and US\$0.34 million of revenue was generated from the production of documentaries, consultancy services and restaurant sales from our café lounge business, respectively.

Cost of sales

FY2014 vs FY2013

Our cost of sales increased by US\$9.21 million or 145% YoY from US\$6.35 million in 2013 to US\$15.56 million in FY2014, mainly due to four films: 1) *FOR THE EMPEROR* (produced and presented by Opus Pictures), 2) *CONFESSION* (produced by Opus Pictures), 3) *MY BRILLIANT LIFE* (produced by Zip Cinema) and 4) *BIG MATCH* (presented by Opus Pictures).

In FY2014, cost of sales incurred from *FOR THE EMPEROR*, *CONFESSION*, *MY BRILLIANT LIFE* and *BIG MATCH* was US\$3.69 million, US\$4.22 million, US\$5.17 million and US\$1.22 million, respectively. In addition, US\$1.07 million and US\$0.05 million of cost of sales were incurred from documentaries and the café lounge business, respectively.

In FY2013, cost of sales incurred from *COLD EYES* was US\$5.47 million. In addition, US\$0.88 million of cost of sales was incurred from documentaries and the café lounge business.

Other income

FY2014 vs FY2013

Other income totaled US\$0.53 million in FY2014 compared with US\$0.46 million in FY2013. Other income comprises US\$0.23 million of interest income (FY2013: US\$0.24 million), US\$0.05 million of rental income (FY2013: US\$0.05 million), US\$0.01 million of gain on investments (FY2013: US\$0.01 million) and US\$0.24 million of miscellaneous (FY2013: US\$0.16 million) in FY2014.

Selling expenses

FY2014 vs FY2013

Selling expenses increased by US\$0.31 million or 92% YoY from US\$0.35 million in FY2013 to US\$0.66 million in FY2014. The increase was mainly due to the expenses related to *FOR THE EMPEROR*, *CONFESSION*, *MY BRILLIANT LIFE*, and *BIG MATCH* in FY2014. There were selling expenses related to one film, *COLD EYES* in FY2013.

General and administrative expenses

FY2014 vs FY2013

General and administrative expenses increased by US\$5.50 million or 241% YoY from US\$2.28 million in FY2013 to US\$7.78 million in FY2014. The increase was mainly due to IPO expenses of US\$1.33 million incurred in 2014 (FY2013: nil) and an increase in personnel expenses of US\$0.74 million from US\$1.50 million in FY2013 to US\$2.24 million in FY2014. The increase in personnel expenses was mainly due to the increase in the number of employees. In addition, in FY2014, there were bad debt expenses of US\$0.63 million incurred (FY2013: nil), an increase in professional service fees of US\$0.31 million (FY2014: US\$0.52 million, FY2013: US\$0.21 million), foreign exchange loss of US\$0.45 million (FY2013: gain of US\$0.02 million) and an impairment loss on film production inventories of US\$1.46 million from several movies under the developing stage (FY2013: US\$0.11 million). The bad debt expenses in FY2014 were due to receivables related to *CONFESSION* and the increase in professional service fees were mainly due to the IPO.

Finance costs

FY2014 vs FY2013

Finance costs decrease by US\$0.03 million or 23% from US\$0.14 million in FY2013 to US\$0.11 million in FY2014 mainly due to a decrease in the interest expenses on bank loans and convertible bonds in FY2014.

Loss/Profit before tax

FY2014 vs FY2013

As a result of the above, we recorded a loss before tax of US\$7.50 million in FY2014 as compared to a profit before tax of US\$3.24 million in FY2013. Despite the loss before tax of US\$7.50 million, the Group recognised tax expenses of US\$0.56 million as a result of a deferred tax assets recorded in prior years being expensed off.

Consolidated Statement of Financial Position

Non-current assets

The Group's non-current assets amounted to US\$6.44 million as at 31 December 2014. The increase in non-current assets by US\$0.17 million from 31 December 2013 was mainly due to:

- i) Increase in intangible assets of US\$3.40 million mainly arising from the acquisition of UAA Korea Co., Ltd. relating to the associated brand value and residual goodwill; and
- ii) Increase in property, plant and equipment of US\$0.20 million attributable to a building under construction; and
- iii) Partially offset by the collection of loans extended by the Group to a related party of US\$2.00 million, decrease in film production inventories of US\$0.88 million and decrease in deferred tax assets of US\$0.55 million.

Current assets

The Group's current assets amounted to US\$25.62 million as at 31 December 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\$1.18 million primarily due to investments in film projects and film investment funds; and
- ii) Increase in trade receivables of US\$4.60 million arising from revenue generated from *BIG MATCH* which was released near to year-end and increase in advance payments of US\$1.23 million in connection with the acquisition of Breakfastfilm Co., Ltd.; and
- iii) Increase in cash and cash equivalents of US\$2.96 million; and
- iv) Partially offset by a decrease in film production inventories of US\$3.94 million mainly due to release of *FOR THE EMPEROR*, *CONFESSION* and *MY BRILLIANT LIFE*.

Non-current liabilities

The Group's non-current liabilities amounted to US\$0.12 million as at 31 December 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\$14.50 million as at 31 December 2014. The decrease in current liabilities from US\$15.43 million as at 31 December 2013 was mainly due to a decrease of US\$4.26 million in film obligations and production loans related to advances which have been received from customers for films under production and a decrease in tax payables of US\$1.22 million, partially offset by an increase in trade payables of US\$2.73 million as a result of sharing of theatrical revenue and other ancillary income for *BIG MATCH* that was released near year-end and other payables of US\$1.34 million mainly due to the acquisition of UAA Korea Co., Ltd., and an increase of US\$0.52 million in deferred revenue.

Consolidated Statement of Cash Flow

As at 31 December 2014, the Group had cash and cash equivalents amounting to US\$12.18 million as compared to cash and cash equivalents amounting to US\$9.21 million as at 31 December 2013.

The significant cash movements during FY2014 as compared to FY2013 can be summarized as follows:

Cash used in operating activities for FY2014 amounted to US\$8.13 million as compared to cash generated from operating activities of US\$4.14 million for FY2013. The cash used in operating activities for FY2014 was mainly due to operating loss of US\$5.23 million and the changes in working capital resulting from a decrease in film production inventories of US\$3.37 million, an increase in payables of US\$4.57 million, a decrease in film obligations and production loans of US\$4.26 million and an increase in receivables of US\$5.46 million.

Cash used in investing activities for FY2014 was US\$2.24 million as compared to cash used in investing activities of US\$3.68 million for FY2013. The cash used in investing activities for FY2014 was mainly due to investment in subsidiaries of US\$1.76 million and purchases of property, plant and equipment of US\$0.35 million.

Cash generated from financing activities was US\$13.74 million for FY2014 as compared to cash generated from financing activities of US\$5.39 million for FY2013. The cash generated from financing activities in FY2014 was mainly due to the issuance of shares totaling US\$13.76 million.

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

The unaudited results for FY2014 are in line with the profit guidance announcement made on 7 February 2015.

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.

For the first time in Korean box office history, four films in 2014 (*THE ATTORNEY*; *FROZEN*; *ROARING CURRENTS*; and *INTERSTELLAR*) reached the ten million admission mark. Overall box office revenues increased to US\$ 1.66 billion in 2014 from US\$ 1.55 billion in 2013. However, the proportion of Korean films decreased to 49.3%, down 9.4% from 58.7% in 2013, and domestic ticket sales stood at US\$ 820.6 million. The domestic film market, especially crime, action, and thriller movies, dropped in the aftermath of the sinking of the Sewol Ferry in April and did not recover until August 2014. Instead, historical period films dominated with four entries in the top ten list. On the other hand, admissions to foreign films crossed 100 million for the first time to reach 107.36 million, boosted by franchise and super-hero films like *X-MEN*, *CAPTAIN AMERICA*, and *TRANSFORMERS*. There were a total of 1,117 films (232 Korean films and 885 foreign films) that reached screens in 2014, breaking through four digits for the first time.

As of 21 February 2015, the overall Korean winter box office has underperformed the previous two years. Cumulative revenues from movies released from December 2014 to date are down 19% YoY while total ticket admissions are down 24.6% YoY. While the sentimental drama, *ODE TO MY FATHER*, and the documentary, *MY LOVE, DON'T CROSS THAT RIVER* were breakout successes, thirteen films fragmented the market share. In contrast, the winter of 2013-14 witnessed five movies with over three million tickets sold of which two movies had ten million tickets sold (*THE ATTORNEY* and *FROZEN*). (Source: Korean Film Council, www.kobis.or.kr)

The Group expects to release its first major Korean release, *BLACK PRIESTS*, in August 2015. Produced by Zip Cinema, *BLACK PRIESTS* stars Gang Dong-won and Kim Yoon-seok, who are collaborating for the first time in six years after their 2009 hit movie *WOOCHI*, which was also produced by Zip Cinema and sold more than six million tickets. Gang Dong-won plays a seminary student that becomes an assistant to an eccentric priest (Kim Yoon-seok). The thriller follows their first mission to perform an exorcism banned by the Catholic Church on a young woman. *BLACK PRIESTS* will be the debut full-length film of director Jang Jae Hyun, who received an award at the Mise-en-scène Short Film Festival (“**MSFF**”) for 12TH ASSISTANT DEACON. The MSFF is one of the most prestigious film festivals in Korea

The Group’s recent acquisitions which include Novus Mediacorp Co., Ltd., UAA Korea Co., Ltd. and noon pictures Co., Ltd. are expected to start contributing to its financial performance from this year onwards. This is part of the Group’s strategy to grow through accretive acquisitions to seek new talent and diversify income streams across the Korean entertainment industry.

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 FY2014 and FY2013.

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 FY2014.

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 announced on 9 January 2015, the Company had reallocated S\$2.0 million of the net proceeds from the IPO initially allocated for the investment into films produced by the Group or third parties to fund the cash consideration of S\$1.35 million for the acquisition of a 51% equity interest in Novus Mediacorp. Co., Ltd. as well as to fund the expansion of the Group’s operations via acquisitions, joint ventures and investments as and when such opportunities arises.

Pursuant to the re-allocation, 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 reallocation (S\$’000)	Amount utilised (S\$’000)	Balance (S\$’000)
Investment into films produced by us or third parties	3,500	1,200	2,300
Expansion of our Group’s operations via acquisitions, joint ventures and investments	4,000	3,370	630
Establishment of overseas offices	1,000	-	1,000
General working capital	2,337	1,866 ⁽¹⁾	471
IPO expenditure	2,163	2,163	-
Total	13,000	8,599	4,401

Note:

- (1) The Company has reallocated S\$336,552 allocated for general working capital for the payment of IPO related expenses. The remaining S\$1,529,940 has been utilized for payment to suppliers (S\$1,077,082), payment of salary (S\$209,134), professional service fees (S\$162,225) and others (S\$81,499).

15. **Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

<i>(USD'000)</i>	Production of film		Other film related activities		Other		Total	
	FY2013	FY2014	FY2013	FY2014	FY2013	FY2014	FY2013	FY2014
Segment revenue	5,173	12,135	6,185	2,321	535	1,603	11,892	16,059
Segment profit / (loss)	1,545	(4,420)	1,848	(845)	160	(583)	3,553	(5,848)
Impairment loss on film production inventories	(108)	(1,455)	-	-	-	-	(108)	(1,455)
Impairment loss on investment in theatrical film projects	-	-	8	-	-	-	8	-
Unallocated expenses:								
Depreciation and amortisation							(77)	(95)
Finance costs							(137)	(105)
Profit / (loss) before tax							3,239	(7,503)
Tax expense							(633)	(562)
Profit for the year							2,606	(8,065)
Segment assets	3,500	5,008	4,184	958	362	663	8,045	6,629
Unallocated assets							17,795	25,425
Total assets							25,840	32,054
Segment liabilities	4,663	5,271	5,576	1,007	482	697	10,722	6,975
Unallocated liabilities							6,126	7,640
Total liabilities							16,848	14,615

The Group's revenues from external customers were derived primarily from customers in Korea. The non-current assets of the Group are all located in Korea.

16. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

The Group's revenue for FY2014 is predominantly derived from the production of film which made up 75.5% (FY2013: 43.4%) of the Group's total revenue. Revenue from other film related activities made up 19.5% (FY2013: 52%) of the Group's total revenue.

The increase in revenue from the production of film from US\$5.2 million in FY2013 to US\$12.1 million in FY2014 was mainly due to the production of three (3) films during FY2014, namely, *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) as compared to the production of one (1) film, namely, *COLD EYES* (produced by Zip Cinema and presented by Opus Pictures) in FY2013.

The decrease in revenue from other film related activities from US\$6.2 million in FY2013 to US\$2.3 million in FY2014 was mainly due to the weaker box office ticket sales of the Group's films during FY2014 which resulted in a lower share of profit from films produced by the Group and from film presentation, investments and distributions as compared to FY2013.

For further details, please refer to note 8 above.

17. A breakdown of sales as follows:

	Group		
	FY2014 (Unaudited) US\$'000	FY2013 (Audited) US\$'000	Increase / (Decrease) %
(a) Sales reported for first half year	8,745	650	1,245
(b) Operating loss after tax before deducting minority interests reported for first half year	(951)	(690)	38
(c) Sales reported for second half year	7,314	11,242	(35)
(d) Operating profit/(loss) after tax before deducting minority interests reported for second half year	(7,114)	3,296	NM

NM – Not meaningful

18. **A breakdown of the total annual dividend (in dollar value) for the issuer’s latest full year and its previous full year as follows:**

	FY2014 S\$'000	FY2013 S\$'000
(a) Ordinary	-	-
(b) Preference	-	-
Total	-	-

19. **Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement**

Pursuant to Rule 704(10) of the Listing Manual Section B: Rules of Catalist of SGX-ST, the Company confirms that there is no person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a Director, Chief Executive Officer or substantial shareholder of the Company.

BY ORDER OF THE BOARD

Charles Choi Spackman

Executive Chairman

Date: 27 February 2015