

spackmanentertainmentgroup

(Company Registration No.:201401201N)

Unaudited Financial Statement and Dividend Announcement For the Three Months Ended 31 March 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 31 March 2015 ("**Q1 2015**") and the comparative financial results of the Group for the three months financial period ended 31 March 2014 ("**Q1 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		
	31 March 2015 (Unaudited) US\$'000	31 March 2014 (Unaudited) US\$'000	Change %
Revenue	1,865	2,544	(27)
Cost of sales	(1,362)	(2,380)	(43)
Gross profit	503	164	207
Other income	114	183	(38)
Selling expenses	(112)	(46)	143
General and administrative expenses	(1,726)	(774)	123
Finance costs	(22)	(50)	(56)
Loss before tax	(1,243)	(523)	138
Tax credit	2	-	NM
Loss for the period	(1,241)	(523)	137
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Currency translation difference arising from consolidation	(36)	(63)	(43)
Total comprehensive loss for the period	(1,277)	(586)	118
Loss for the period attributable to:			
Equity holders of the Company	(1,240)	(491)	153
Non-controlling interests	(1)	(32)	(97)
	(1,241)	(523)	137
Total comprehensive loss for the period attributable to:			
Equity holders of the Company	(1,268)	(603)	110
Non-controlling interests	(9)	17	NM
	(1,277)	(586)	118

NM – Not meaningful

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

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

	Three Months Ended		Change %
	31 March 2015	31 March 2014	
	(Unaudited) US\$'000	(Unaudited) US\$'000	
Personnel expenses	790	409	93
Rent expenses	197	147	34
Service fees	394	90	338
Travel expenses	30	53	(43)
Depreciation and amortization	37	16	131
Utilities	10	7	43
Supplies	34	16	113
Communication	7	3	133
Interest income	(65)	(29)	224
Gain on short-term investments	(8)	(122)	(93)
Foreign exchange loss, net	143	5	2,760

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

	Group		Company	
	31 March 2015 (Unaudited) US\$'000	31 December 2014 (Audited) US\$'000	31 March 2015 (Unaudited) US\$'000	31 December 2014 (Audited) US\$'000
Assets				
Investment in subsidiaries	-	-	16,245	14,635
Property, plant and equipment	1,152	903	1	1
Intangible assets	4,286	3,518	-	-
Film production inventories	2,139	1,683	-	-
Deferred tax assets	348	336	-	-
Loan to a subsidiary	-	-	1,900	1,900
Non-current assets	7,925	6,440	18,146	16,536
Investments	5,036	3,490	244	244
Trade and other receivables	7,823	8,497	1,326	1,241
Film production inventories	4,291	1,428	-	-
Inventories	6	8	-	-
Cash and cash equivalents	10,230	12,176	2,979	4,472
Current assets	27,386	25,599	4,549	5,957
Total assets	35,311	32,039	22,695	22,493
Liabilities				
Other non-current liabilities	51	2	-	-
Deferred tax liabilities	115	115	-	-
Non-current liabilities	166	117	-	-
Trade and other payables	4,689	6,285	206	250
Deferred revenue	5,717	2,875	-	-
Borrowings	1,219	1,237	-	-
Tax payables	3	-	-	-
Film obligation and production loans	5,981	4,100	-	-
Current liabilities	17,609	14,497	206	250
Total liabilities	17,775	14,614	206	250
Net assets	17,536	17,425	22,489	22,243
Share capital and reserves				
Share capital	25,019	24,428	25,019	24,428
Other reserves	(2,743)	(2,715)	-	-
Retained earnings	(6,773)	(5,533)	(2,530)	(2,185)
Equity attributable to equity holders of the Company, total	15,503	16,180	22,489	22,243
Non-controlling interests	2,030	1,244	-	-
Total equity	17,533	17,424	22,489	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 31 March 2015 (Unaudited)		As at 31 December 2014 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
1,219	-	1,237	-

Amount repayable after one year

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

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.

	Group	
	Three Months Ended	
	31 March	31 March
	2015	2014
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Operating activities		
Loss before income tax credit	(1,243)	(523)
Adjustments for:		
Depreciation and amortization	37	16
Interest income	(65)	(29)
Interest expense	22	50
Reversal of impairment loss on doubtful receivables	(7)	-
Gain on short-term investments	(8)	(122)
Tax credit	(2)	-
Operating loss before working capital changes	(1,266)	(608)
Working capital changes		
Inventories	66	(584)
Film production inventories	(2,851)	(3,645)
Receivables	3,093	(1,586)
Payables	(2,544)	(501)
Film obligations and production loans	2,089	2,029
Currency translation adjustments	1	6
Cash used in operations	(1,412)	(4,889)
Interest paid	(41)	(50)
Interest received	38	29
Income tax paid	(52)	(95)
Net cash used in operating activities	(1,467)	(5,005)
Investing activities		
Loans granted	(27)	(33)
Collection of loans	115	-
Purchases of property, plant and equipment	(290)	-
Purchases of intangible assets	-	(6)
Proceeds from disposal of property, plant and equipment	-	9
Acquisition of a subsidiary	(509)	-
Investment in short term investments	(180)	(471)
Proceeds from disposal of short term investments	405	846
Net cash (used in)/from investing activities	(486)	345

	Group	
	Three Months Ended	
	31 March	31 March
	2015	2014
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Financing activities		
Repayment of loans	(273)	-
Additional loans	300	56
Net cash from financing activities	<u>27</u>	<u>56</u>
Net change in cash and cash equivalents	(1,926)	(4,604)
Cash and cash equivalents at beginning of financial period	12,176	9,214
Effect of exchange rate changes	(20)	6
Cash and cash equivalents at end of the financial period	<u>10,230</u>	<u>4,616</u>
Cash and cash equivalents comprise:		
Cash and bank balances	10,015	4,520
Money market funds	215	96
	<u>10,230</u>	<u>4,616</u>

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 2015	24,428	(2,175)	(5,533)	16,180	1,244	17,424
Loss for the period	-	-	(1,240)	(1,240)	(2)	(1,242)
<i>Other comprehensive profit for the period</i>						
Currency translation difference on consolidation	-	(28)	-	(28)	(7)	(35)
	-	(28)	(1,240)	(1,268)	(9)	(1,277)
<i>Transaction with equity holders of the Company</i>						
Acquisition of a subsidiary	591	-	-	591	795	1,386
Balance as at 31 March 2015	25,019	(2,743)	(6,773)	15,503	2,030	17,533
Balance as at 1 January 2014	2	6,498	2,448	8,948	44	8,992
Loss for the period	-	-	(491)	(491)	(31)	(522)
<i>Other comprehensive profit for the period</i>						
Currency translation difference on consolidation	-	(111)	-	(111)	48	(63)
	-	(111)	(491)	(602)	17	(585)
Balance as at 31 March 2014	2	6,387	1,957	8,346	61	8,407

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		
Balance as at 1 January 2015	24,428	-	(2,185)	22,243	-	22,243
Loss and total comprehensive loss for the period	-	-	(345)	(345)	-	(345)
Acquisition of a subsidiary	591	-	-	591	-	591
Balance as at 31 March 2015	25,019	-	(2,530)	22,489	-	22,489

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		
Balance as at 10 January 2014*	-	-	-	-	-	-
Loss and total comprehensive loss for the period	-	-	-	-	-	-
Balance as at 31 March 2014	-	-	-	-	-	-

* The Company was incorporated on 10 January 2014 with 1 share at US\$1 and there had been no transaction until 31 March 2014 since its incorporation.

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

Shares Capital – Ordinary Shares

	Number of shares	Issued and paid-up share capital
Balance at 1 January 2015	395,310,000	US\$24,427,906
Acquisition of a subsidiary ⁽¹⁾	3,460,209	US\$591,327
Balance at 31 March 2015	<u>398,770,209</u>	<u>US\$25,019,233</u>

Note:

(1) The Company had on 9 January 2015 issued and allotted 3,460,209 shares as consideration for the acquisition of 51% equity interest in Novus Mediacorp Co., Ltd.

The Company did not have any outstanding options, convertibles or treasury shares as at 31 March 2015 and 31 March 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>31 March 2015</u>	<u>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 31 March 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 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 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

Loss per share (“LPS”)	3 months ended 31 March 2015	3 months ended 31 March 2014
Loss attributable to equity holders of the Company (US\$)	1,239,510	491,451
Weighted average number of ordinary shares in issue	398,459,179	395,310,000 ⁽¹⁾
Basic and fully diluted basis LPS (US cents)	0.311 ⁽²⁾	0.124 ^{(1),(2)}
Adjusted LPS (US cents) ⁽³⁾	0.311	0.123

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 31 March 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	
	31 March 2015	31 December 2014	31 March 2015	31 December 2014
Net asset value (US\$)	17,533,156	17,424,117	22,488,861	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\$)	0.044	0.044	0.056	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 (Q1 2015 vs Q1 2014)

Revenue

The breakdown of revenue in Q1 2015 and Q1 2014 is as follows:

Source of revenue	Group	
	Q1 2015 (Unaudited) US\$ million	Q1 2014 (Unaudited) US\$ million
Production of films	-	2.31
Distribution of films	0.61	0.02
Production of documentaries	0.68	0.05
Restaurant sales and café lounge business	0.10	0.02
Talent management	0.41	-
Photography	0.04	-
Consulting services	0.03	0.14
Total	1.87	2.54

Revenue decreased by approximately US\$0.67 million or 26.7% year-on-year (“YoY”) from US\$2.54 million in Q1 2014 to US\$1.87 million in Q1 2015. The decrease arose mainly because there was no film under production during Q1 2015, where the Group is the producer but the presenter is a third party, while *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 Q1 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 presenter, revenue from the production of films will only be recognized upon the release of a film.

In Q1 2015, the Group distributed several motion films including *BIG MATCH*, *MY BRILLIANT LIFE*, *FOR THE EMPEROR* and others which generated distribution revenue of US\$0.61 million. In addition, US\$1.26 million of revenue was generated from the production of documentaries (US\$0.68 million), talent management (US\$0.41 million), restaurant sales from our café lounge business (US\$0.10 million), photography (US\$0.04 million) and consulting services (US\$0.03 million). Following the conversion of the convertibles notes of UAA Korea Co., Ltd. (“UAA”) held by a wholly-owned subsidiary of the Company in January 2015 and the acquisition of a 60.24% stake in noon pictures Co., Ltd.

(“noon pictures”) which was completed in November 2014, UAA and noon pictures became subsidiaries of the Company and the Group recorded maiden revenue contribution from UAA’s talent management business and noon pictures’ photography business in Q1 2015.

In Q1 2014, the Group generated US\$2.31 million in film production from *MY BRILLIANT LIFE*. The Group also distributed several motion films including *COLD EYES*, *NOW IS GOOD* and others, which generated distribution revenue of US\$0.02 million. In addition, US\$0.21 million of revenue was generated from the production of documentaries, restaurant sales from our café lounge business and consulting services.

Cost of sales

The breakdown of cost of sales in Q1 2015 and Q1 2014 is as follows:

	Group	
	Q1 2015 (Unaudited) US\$ million	Q1 2014 (Unaudited) US\$ million
Cost of sales		
Production of films	-	2.31
Distribution of films	0.51	-
Production of documentaries	0.68	0.06
Restaurant sales and café lounge business	0.06	0.01
Talent management	0.11	-
Total	1.36	2.38

Our cost of sales decreased by US\$1.02 million or 42.9% YoY from US\$2.38 million in Q1 2014 to US\$1.36 million in Q1 2015, mainly because there was no film under production during Q1 2015.

In Q1 2015, cost of sales incurred from distribution of several motion films including *BIG MATCH*, *MY BRILLIANT LIFE*, *FOR THE EMPEROR* and others was US\$0.51 million. In addition, US\$0.85 million of cost of sales was incurred from the production of documentaries (US\$0.68 million), talent management (US\$0.11 million) and café lounge business (US\$0.06 million).

In Q1 2014, cost of sales incurred from *MY BRILLIANT LIFE* was US\$2.31 million. In addition, US\$0.07 million of cost of sales was incurred from the production of documentaries and café lounge business.

Other income

Other income totaled US\$0.11 million in Q1 2015 compared with US\$0.18 million in Q1 2014. Other income in Q1 2015 comprised US\$0.07 million of interest income (Q1 2014: US\$0.03 million), US\$0.01 million of rental income (Q1 2014: US\$0.01 million), US\$0.01 million of gain on investments (Q1 2014: US\$0.12 million) and US\$0.02 million of miscellaneous (1Q 2014: US\$0.02 million).

Selling expenses

Selling expenses increased by US\$0.07 million or 140.0% YoY from US\$0.05 million in Q1 2014 to US\$0.11 million in Q1 2015. The increase was mainly due to the expenses related to *BIG MATCH* and *MY BRILLIANT LIFE* for the sales in overseas market in Q1 2015. There were selling expenses related to one film, *COLD EYES*, in Q1 2014.

General and administrative expenses

General and administrative expenses increased by US\$0.95 million or 123.4% YoY from US\$0.77 million in Q1 2014 to US\$1.73 million in Q1 2015. The increase was mainly due to an increase in personnel expenses of US\$0.38 million from US\$0.41 million in Q1 2014 to US\$0.79 million in Q1 2015 and an increase in service fees of US\$0.30 million from US\$0.09 million in Q1 2014 to US\$0.39 million in Q1 2015. The increase in personnel expenses was mainly due to the increase in the number of employees and the increase in service fees was mainly due to the increase in professional service fees as the Group transitioned to a public listed company.

Finance costs

Finance costs decreased by US\$0.03 million or 56.0% from US\$0.05 million in Q1 2014 to US\$0.02 million in Q1 2015 mainly due to a decrease in the interest expenses on bank loans and convertible bonds in Q1 2015.

Loss before tax

As a result of the above, our loss before tax increased by US\$0.72 million or 138.5% YoY from a loss before tax of US\$0.52 million in Q1 2014 to a loss before tax of US\$1.24 million in Q1 2015.

Consolidated Statement of Financial Position

Non-current assets

The Group's non-current assets amounted to US\$7.93 million as at 31 March 2015. The increase in non-current assets from US\$6.44 million as at 31 December 2014 was mainly due to:

- i) Increase in intangible assets of US\$0.77 million from the acquisition of Novus Mediacorp Co., Ltd., relating to goodwill (subject to the completion of purchase price allocation);
- ii) Increase in film production inventories of US\$0.46 million mainly related to several movies in the development stage; and
- iii) Increase in property, plant and equipment of US\$0.25 million mainly attributable to construction of a building.

Current assets

The Group's current assets amounted to US\$27.39 million as at 31 March 2015. The increase in current assets from US\$25.60 million as at 31 December 2014 was mainly due to:

- i) Increase in film production inventories of US\$2.86 million mainly due to *BLACK PRIESTS* (produced by Zip Cinema and presented by an indirect wholly-owned subsidiary of the Company, Opus pictures) which began filming in February 2015 and is slated for release in the 2nd half of 2015;
- ii) Increase in investments of US\$1.55 million primarily due to investment into financial instruments at banks; and
- iii) Partially offset by decrease in cash and cash equivalents of US\$1.95 million and a decrease in trade and other receivables of US\$0.68 million.

Non-current liabilities

The Group's non-current liabilities amounted to US\$0.17 million as at 31 March 2015 and there were no significant changes compared with US\$0.12 million as at 31 December 2014.

Current liabilities

The Group's current liabilities amounted to US\$17.61 million as at 31 March 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\$2.84 million in deferred revenue arising from minimum guarantees and advance receipts received by Novus Mediacorp Co., Ltd. for the ancillary distribution rights to several films;
- ii) an increase of US\$1.88 million in film obligations and production loans related to advances which have been received from customers for films under production; and
- iii) partially offset by a decrease of US\$1.60 million in trade and other payables.

Consolidated Statement of Cash Flow

As at 31 March 2015, the Group had cash and cash equivalents amounting to US\$10.23 million as compared to cash and cash equivalents amounting to US\$4.62 million as at 31 March 2014.

The significant cash movements during Q1 2015 as compared to Q1 2014 can be summarized as follows:

Cash flow used in operating activities for Q1 2015 amounted to US\$1.47 million as compared to cash used in operating activities of US\$5.00 million for Q1 2014. The cash flow used in operating activities for Q1 2015 was mainly due to the operating loss before working capital changes of US\$1.27 million in 1Q 2015 and net working capital outflows of US\$0.15 million resulting from an increase in film production inventories of US\$2.85 million and a decrease in payables of US\$2.54 million, which was offset by a decrease in receivables of US\$3.09 million and an increase in film obligations and production loans of US\$2.09 million.

Cash flow used in investing activities for Q1 2015 was US\$0.49 million as compared to cash flow generated from investing activities of US\$0.35 million for Q1 2014. The cash flow used in investing activities for Q1 2015 was mainly due to cash used for the acquisition of Novus Mediacorp Co., Ltd. of US\$0.51 million and purchases of property, plant and equipment of US\$0.29 million, as well as investment in short term investments of US\$0.18 million, offset by the proceeds from disposal of short-term investments amounting to US\$0.41 million and collection of loans of US\$0.12 million.

Cash flow generated from financing activities was US\$0.03 million for Q1 2015 as compared to US\$0.06 million for Q1 2014. The cash generated from financing activities in Q1 2015 was 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 April 2015, the overall Korean Spring box office turned in a performance similar to previous years. Total ticket admissions were slightly down 2.2% YoY, but cumulative revenues from movies released from 1 January 2015 to 30 April 2015 (including *ODE TO MY FATHER*) increased 6.7% YoY due to an increase in ticket prices.

Foreign films had a 58.0% market share in the first four months of 2015, maintaining its market share for the second year in a row (57.0% in 2014 and 41.3% in 2013), led by the US blockbuster, *THE AVENGERS: AGE OF ULTRON*, which sold more than 9 million tickets since its release in late April, boosted by Disney's decision to use Seoul as one of the principal shooting locations of the movie. *FAST & FURIOUS 7* sold 3.2 million tickets and Disney's *BIG HERO 6* saw 2.8 million ticket admissions. The biggest surprise of Q1 2015 was the performance of *KINGSMAN: THE SECRET SERVICE*, which 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 14.2 million admissions in total. February saw the release of the historical comedy, *DETECTIVE K: SECRET OF THE LOST ISLAND*, which sold 3.8 million tickets, and March was led by the coming-of-age comedy, *TWENTY* with 3.0 million tickets sold.¹

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

The Group expects to release its first major Korean release, *BLACK PRIESTS*, in the 2nd half of 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 will also actively explore opportunities to directly produce foreign language films targeted for worldwide distribution and seek to enter into partnerships, joint ventures and strategic alliances in overseas markets in order to expand its presence internationally.

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 Q1 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 Q1 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	4,670	130
Establishment of overseas offices	500	133	367
General working capital	3,337	2,546 ⁽²⁾	791
IPO expenditure	2,163	2,163	-
Total	13,000	10,712	2,288

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\$2,209,764 has been utilised for payment to suppliers (S\$1,077,082), payment of salary and director’s fees (S\$510,418), professional service fees (S\$338,228) and others (S\$284,036).

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 financial period ended 31 March 2015 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Charles Choi Spackman

Executive Chairman

Date: 14 May 2015