

spackmanentertainmentgroup

(Company Registration No.:201401201N)

Unaudited Financial Statement and Dividend Announcement For the Three Months and the Nine Months Ended 30 September 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 relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.

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Background

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

For the purpose of this announcement, the financial results of the Group for the three months financial period ended 30 September 2014 ("**Q3 2014**") and the nine months financial period ended 30 September 2014 ("**9M 2014**"), and the comparative financial results of the Group for the three months financial period ended 30 September 2013 ("**Q3 2013**") and the nine months financial period ended 30 September 2013 ("**9M 2013**"), have been prepared on the assumption that the Group's structure following the completion of the Restructuring Exercise had been in place since 1 January 2013.

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group Three Months Ended			Group Nine Months Ended		
	30 September 2014 (Unaudited) US\$'000	30 September 2013 (Unaudited) US\$'000	Change %	30 September 2014 (Unaudited) US\$'000	30 September 2013 (Unaudited) US\$'000	Change %
	Revenue	3,628	10,747	(66)	12,374	11,398
Cost of sales	(5,256)	(5,224)	1	(13,158)	(5,444)	142
Gross (loss)/profit	(1,628)	5,523	NM	(784)	5,954	NM
Other income	22	37	(41)	316	347	(9)
Selling expenses	(715)	(69)	936	(880)	(126)	598
General and administrative expenses	(2,233)	(638)	250	(4,081)	(1,973)	107
Finance costs	(14)	(35)	(60)	(87)	(72)	21
(Loss)/profit before tax	(4,568)	4,818	NM	(5,516)	4,130	NM
Tax expense	(388)	(571)	(32)	(389)	(571)	(32)
(Loss)/profit for the period	(4,956)	4,247	NM	(5,905)	3,559	NM
Other comprehensive income						
<i>Items that are or may be reclassified subsequently to profit or loss</i>						
Currency translation difference arising from consolidation	(327)	407	NM	(82)	188	NM
Total comprehensive (loss)/profit for the period	(5,283)	4,654	NM	(5,987)	3,747	NM
(Loss)/profit for the period attributable to:						
Equity holders of the Company	(5,037)	4,307	NM	(5,935)	3,606	NM
Non-controlling interests	81	(60)	NM	30	(47)	NM
	(4,956)	4,247	NM	(5,905)	3,559	NM
Total comprehensive (loss)/profit for the period attributable to:						
Equity holders of the Company	(5,339)	4,709	NM	(5,989)	3,794	NM
Non-controlling interests	56	(55)	NM	2	(47)	NM
	(5,283)	4,654	NM	(5,987)	3,747	NM

NM – Not meaningful

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

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

	Three Months Ended			Nine Months Ended		
	30 September	30 September	Change	30 September	30 September	Change
	2014	2013		2014	2013	
(Unaudited)	(Unaudited)	%	(Unaudited)	(Unaudited)	%	
	US\$'000	US\$'000		US\$'000	US\$'000	
Personnel expenses	516	350	47	1,723	1,106	56
Rent	173	111	56	466	304	53
Service fees	116	88	32	243	263	(8)
IPO expenses	1,325	-	NM	1,667	-	NM
Travel expenses	90	60	50	221	82	170
Depreciation and amortization	26	19	37	70	59	19
Utilities	8	8	-	19	20	(5)
Supplies	23	17	35	60	35	71
Communication	5	3	67	12	8	50
Interest income	(11)	(54)	(80)	(81)	(157)	(48)
Gain from investments, net	(6)	(4)	50	(23)	(87)	(74)
Foreign exchange loss /(gain), net	21	125	(83)	(2)	(18)	(89)

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 September 2014 (Unaudited) US\$'000	31 December 2013 (Audited) US\$'000	30 September 2014 (Unaudited) US\$'000	31 December 2013 (Unaudited) US\$'000
Assets				
Investment in subsidiary	-	-	14,544	-
Property, plant and equipment	897	706	-	-
Intangible assets	85	112	-	-
Film production inventories	2,603	2,561	-	-
Deferred tax assets	528	888	-	-
Loan to a subsidiary	-	-	1,900	-
Loan to a related party	-	2,001	-	-
Non-current assets	4,113	6,268	16,444	-
Investments	7,118	2,309	-	-
Trade and other receivables	4,150	2,675	-	-
Film production inventories	6,520	5,372	-	-
Inventories	8	2	-	-
Cash and cash equivalents	13,316	9,214	6,676	-
Current assets	31,112	19,572	6,676	-
Total assets	35,225	25,840	23,120	-
Liabilities				
Other non-current liabilities	15	7	-	-
Convertible bonds	-	1,301	-	-
Deferred tax liabilities	119	115	-	-
Non-current liabilities	134	1,423	-	-
Trade and other payables	3,256	2,219	119	-
Deferred revenue	1,790	2,364	-	-
Borrowings	1,294	1,260	-	-
Tax payables	-	1,224	-	-
Film obligation and production loans	10,255	8,358	-	-
Current liabilities	16,595	15,425	119	-
Total liabilities	16,729	16,848	119	-
Net assets	18,496	8,992	23,001	-
Share capital and reserves				
Share capital	24,995	2	24,995	-
Other reserves	(3,058)	6,498	(567)	-
Retained earnings	(3,487)	2,448	(1,427)	-
Equity attributable to equity holders of the Company, total	18,450	8,948	23,001	-
Non-controlling interests	46	44	-	-
Total equity	18,496	8,992	23,001	-

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

Amount repayable in one year or less, or on demand

As at 30 September 2014 (Unaudited)		As at 31 December 2013 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
1,294	-	1,260	-

Amount repayable after one year

As at 30 September 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			
	3 Months ended 30 September 2014 (Unaudited) US\$'000	3 Months ended 30 September 2013 (Unaudited) US\$'000	9 Months ended 30 September 2014 (Unaudited) US\$'000	9 Months ended 30 September 2013 (Unaudited) US\$'000
Operating activities				
(Loss)/Profit before income tax	(4,956)	4,247	(5,905)	3,559
Adjustments for:				
Depreciation and amortization	26	19	66	58
Interest income	(11)	(54)	(81)	(157)
Interest expense	14	35	87	72
Reversal of impairment loss on investment in theatrical film projects	(2)	-	(23)	-
Fair value (gain)/loss on investment in insurance products	(5)	111	-	9
Fair value gain on investment in mutual funds	(1)	-	-	-
Allowance/(recovery) for doubtful receivables	611	(12)	611	(13)
Gain from project investments	-	(86)	-	(86)
Amortisation of intangible assets	-	-	4	1
Loss on disposal of property and equipment	1	-	1	-
Income tax	390	571	389	571
Effect of foreign exchange rate changes	22	(40)	(2)	(15)
Operating (loss)/profit before working capital changes	(3,911)	4,791	(4,853)	3,999
Working capital changes				
Investment in theatrical film projects, net	-	(7)	-	-
Inventories	(97)	-	(98)	(2)
Film production inventories	1,739	4,347	(434)	2,603
Receivables	2,675	(19,159)	(1,715)	(19,295)
Payables	1,378	7,426	(1,731)	8,557
Film obligations and production loans	(2,050)	1,074	1,856	1,622
Cash used in operations	(266)	(1,528)	(6,975)	(2,516)
Interest paid	(24)	(38)	(15)	(72)
Interest received	11	11	205	166
Income tax paid	(27)	(173)	(647)	(335)
Net cash used in operating activities	(306)	(1,728)	(7,432)	(2,757)
Investing activities				
Loans granted	(74)	(4)	(274)	(2,361)
Collection of loans	117	184	2,618	1,294
Purchases of property, plant and equipment	(135)	(1)	(259)	(6)
Purchases of intangible assets	-	-	-	(51)
Acquisition of subsidiaries	-	-	-	(129)
Reorganisation of subsidiaries under common control	-	(1,494)	-	(1,494)

Investment in short term investments	(874)	-	(4,729)	-
Proceeds from investment in short term investments	-	297	-	297
Proceeds from other non-current assets	9	34	19	25
Net cash used in investing activities	(957)	(984)	(2,625)	(2,425)
Financing activities				
Issue of convertible bonds	-	925	-	925
Repayment of loans	(76)	(93)	(111)	(106)
Additional loans	1	88	151	842
Issuance of shares	9,884	2,627	14,136	2,627
Net cash from financing activities	9,809	3,547	14,176	4,288
Net change in cash and cash equivalents	8,546	835	4,119	(894)
Cash and cash equivalents at beginning of financial period	4,912	1,612	9,214	3,318
Effect of exchange rate changes	(142)	(8)	(17)	15
Cash and cash equivalents at end of the financial period	13,316	2,439	13,316	2,439
Cash and cash equivalents comprise:				
Cash and bank balances	12,991	2,084	12,991	2,084
Money market funds	325	355	325	355
	13,316	2,439	13,316	2,439

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
Balance as at 1 July 2014	14,544	(2,190)	1,550	13,904	(9)	13,895
Loss for the period	-	-	(5,037)	(5,037)	81	(4,956)
<i>Other comprehensive profit for the period</i>						
Currency translation difference on consolidation	-	(301)	-	(301)	(26)	(327)
	-	(301)	(5,037)	(5,338)	55	(5,283)
<i>Transaction with equity holders of the Company</i>						
Issue of ordinary shares	10,451	(567)	-	9,884	-	9,884
Balance as at 30 September 2014	24,995	(3,058)	(3,487)	18,450	46	18,496
Balance as at 1 July 2013	1	3,924	(1,008)	2,917	188	3,105
Profit for the period	-	-	4,307	4,307	(60)	4,247
<i>Other comprehensive profit for the period</i>						
Currency translation difference on consolidation	-	402	-	402	5	407
	-	402	4,307	4,709	(55)	4,654
<i>Transaction with equity holders of the Company</i>						
Issue of ordinary shares	-	1,738	-	1,738	-	1,738
Issue of convertible bonds	-	72	-	72	-	72
Acquisition under common control	-	(1,109)	71	(1,038)	(89)	(1,127)
Balance as at 30 September 2013	1	5,027	3,370	8,398	44	8,442

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	US\$'000
Balance as at 1 July 2014	14,544	-	-	14,544	-	14,544	
Issue of ordinary shares	10,451	(567)	(1,427)	8,457	-	8,457	
Balance as at 30 September 2014	24,995	(567)	(1,427)	23,001	-	23,001	

- 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 June 2014 and 30 September 2014	<u>395,310,000</u>	<u>S\$30,459,706</u>

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

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

	<u>30 September 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 30 September 2014 and 31 December 2013. “N/A” denotes not applicable as the Company was only incorporated on 10 January 2014.

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Save as disclosed in paragraph 5 below, the Group has applied the same accounting policies and method of computation in the financial statements for the current financial period as those used in the most recently audited annual financial statements for the financial year ended 31 December 2013 ("FY2013").

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group has applied the same accounting policies and methods of computation in the preparation of financial statements for the current financial period compared with the audited financial statements for FY2013, except for the adoption of the Financial Reporting Standards ("FRS") and Interpretations of Financial Reporting Standards ("INT FRS") that are mandatory for the accounting periods beginning on or after 1 January 2014. The adoption of these new and revised FRS and INT FRS did not result in any substantial change to the Group's and the Company's accounting policies and has no significant impact on the financial statements for the current financial reporting period.

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

	3 months ended 30 September 2014	9 months ended 30 September 2014
Loss per share ("LPS")		
Loss attributable to shareholders of the Company (US\$)	5,037,634	5,935,501
Basic and fully diluted basis LPS (US cents) ⁽¹⁾	1.27	1.50

Notes:

- (1) For illustrative purposes, the basic and fully diluted basic LPS of the Group for Q3 2014 and 9M 2014 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 2013

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the**
(a) Current financial period reported on; and
(b) Immediately preceding financial year

	Group 30 September 2014	Company 30 September 2014
Net asset value (US\$)	18,496,147	23,000,564
Number of ordinary shares in issue	395,310,000	395,310,000
Net asset value per ordinary share (US\$)	0.047	0.058

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

9M 2014 vs 9M 2013

Revenue increased by approximately US\$0.98 million or 9% year-on-year (“YoY”) from US\$11.40 million in 9M 2013 to US\$12.37 million in 9M 2014. The increase was mainly due to revenue generated from *FOR THE EMPEROR* (produced and presented by an indirect wholly-owned subsidiary of the Company, Opus Pictures), *CONFESSION* (produced by Opus Pictures), and *MY BRILLIANT LIFE* (produced by an indirect wholly-owned subsidiary of the Company, Zip Cinema).

In 9M 2014, the Group generated US\$1.98 million, US\$4.43 million and US\$4.85 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\$0.50 million. In addition, US\$0.61 million of revenue was generated from the production of documentaries and restaurant sales from our café lounge business.

In 9M 2013, the Group generated US\$4.72 million in production of film revenue from *COLD EYES*, and US\$5.50 million and US\$0.13 million as the share of profit for acting as the producer on *COLD EYES* and *ALL ABOUT MY WIFE* which were produced by Zip Cinema. The distribution revenue from several motion films totaled US\$0.54 million. In addition, US\$0.51 million of revenue was generated from the production of documentaries and restaurant sales from our café lounge business.

Q3 2014 vs Q3 2013

Revenue decreased by approximately US\$7.12 million or 66% YoY from US\$10.75 million in Q3 2013 to US\$3.63 million in Q3 2014. This was mainly due to decrease in revenue generated from the share of profit of US\$5.50 million for acting as the producer of *COLD EYES* and from film production of US\$1.67 million.

In Q3 2014, the Group generated US\$0.12 million, US\$1.13 million and US\$1.80 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\$0.39 million of revenue was generated from the production of documentaries and restaurant sales from our café lounge business.

In Q3 2013, the Group generated US\$4.72 million in production of film revenue from *COLD EYES*, and US\$5.50 million as the share of profit for acting as the producer from *COLD EYES*. The distribution revenue from several motion films totaled US\$0.30 million. In addition, US\$0.23 million of revenue was generated from the production of documentaries and restaurant sales from our café lounge business.

Cost of sales

9M 2014 vs 9M 2013

Our cost of sales increased by US\$7.71 million or 142% YoY from US\$5.44 million in 9M 2013 to US\$13.16 million in 9M 2014, mainly due to three films: 1) *FOR THE EMPEROR* (produced and presented by Opus Pictures), 2) *CONFESSION* (produced by Opus Pictures) and 3) *MY BRILLIANT LIFE* (produced by Zip Cinema).

In 9M 2014, cost of sales incurred from *FOR THE EMPEROR*, *CONFESSION* and *MY BRILLIANT LIFE* was US\$2.43 million, US\$4.29 million and US\$5.15 million, respectively. In addition, US\$1.29 million of cost of sales was incurred from documentaries and the café lounge business.

In 9M 2013, cost of sales incurred from *COLD EYES* was US\$4.96 million. In addition, US\$0.46 million of cost of sales was incurred from documentaries and the café lounge business.

Q3 2014 vs Q3 2013

Our cost of sales increased by US\$0.04 million or 1% YoY from US\$5.22 million in Q3 2013 to US\$5.26 million in Q3 2014, mainly due to three films: 1) *FOR THE EMPEROR* (produced and presented by Opus Pictures), 2) *CONFESSION* (produced by Opus Pictures) and 3) *MY BRILLIANT LIFE* (produced by Zip Cinema).

In Q3 2014, cost of sales incurred from *FOR THE EMPEROR*, *CONFESSION* and *MY BRILLIANT LIFE* was US\$0.89 million, US\$1.07 million and US\$2.36 million. In addition, US\$0.94 million of cost of sales was incurred from documentaries and the café lounge business.

In Q3 2013, cost of sales incurred from *COLD EYES* was US\$4.96 million. In addition, US\$0.26 million of cost of sales was incurred from documentaries and the café lounge business.

Other income

9M 2014 vs 9M 2013

Other income totaled US\$0.32 million in 9M 2014 compared with US\$0.35 million in 9M 2013. Other income comprises US\$0.08 million of interest income (9M 2013: US\$0.12 million), US\$0.03 million of rental income (9M 2013: US\$0.03 million), US\$0.03 million of foreign exchange gain (9M 2013: US\$0.06 million), US\$0.17 million of gain on investments (9M 2013: US\$0.11 million) and US\$0.01 million of miscellaneous (9M 2013: US\$0.03 million) in 9M 2014.

Q3 2014 vs Q3 2013

Other income totaled US\$0.02 million in 3Q 2014 compared with US\$0.04 million in 3Q 2013. Other income comprises US\$0.01 million of interest income (Q3 2013: US\$0.02 million) and US\$0.01 million of rental income (Q3 2013: US\$0.01 million).

Selling expenses

9M 2014 vs 9M 2013

Selling expenses increased by US\$0.75 million or 598% YoY from US\$0.13 million in 9M 2013 to US\$0.88 million in 9M 2014. The increase was mainly due to the expenses related to *FOR THE EMPEROR*, *CONFESSION* and *MY BRILLIANT LIFE* in 9M 2014. There were selling expenses related to one film, *COLD EYES* in 9M 2013.

Q3 2014 vs Q3 2013

Selling expenses increased by US\$0.65 million or 936% from US\$0.07 million in Q3 2013 to US\$0.72 million in Q3 2014. The increase was mainly due to the expenses related to *FOR THE EMPEROR*, *CONFESSION*, and *MY BRILLIANT LIFE* in Q3 2014. There was selling expenses related to one film, *COLD EYES*, in Q3 2013.

General and administrative expenses

9M 2014 vs 9M 2013

General and administrative expenses increased by US\$2.11 million or 107% YoY from US\$1.97 million in 9M 2013 to US\$4.08 million in 9M 2014. The increase was mainly due to an increase in IPO expenses of US\$1.32 million from nil in 9M 2013 to US\$1.32 million in 9M 2014 and personnel expenses of US\$0.62 million from US\$1.11 million in 9M 2013 to US\$1.72 million in 9M 2014. The increase in personnel expenses was mainly due to the increase in the number of employees.

Q3 2014 vs Q3 2013

General and administrative expenses increased by US\$1.60 million or 250% YoY from US\$0.64 million in Q3 2013 to US\$2.23 million in Q3 2014. The increase was mainly due to an increase in IPO expenses of US\$1.32 million from nil Q3 2013 to US\$1.32 million in Q3 2014 and personnel expenses of US\$0.17 million from US\$0.35 million in Q3 2013 to US\$0.52 million in Q3 2014. The increase in personnel expenses was mainly due to the increase in the number of employees.

Finance costs

9M 2014 vs 9M 2013

Finance costs increased by US\$0.02 million or 21% from US\$0.07 million in 9M 2013 to US\$0.09 million in 9M 2014 mainly due to an increase in the interest expenses on bank loans and convertible bonds in 9M 2014.

Q3 2014 vs Q3 2013

Finance costs decreased by US\$0.03 million or 60% YoY from US\$0.04 million in Q3 2013 to US\$0.01 million in Q3 2014 mainly due to a decrease in the interest expenses on bank loans.

Loss/Profit before tax

9M 2014 vs 9M 2013

As a result of the above, we recorded a loss before tax of US\$5.52 million in 9M 2014 as compared to a profit before tax of US\$4.13 million in 9M 2013.

Q3 2014 vs Q3 2013

As a result of the above, we recorded a loss before tax of US\$4.57 million in Q3 2014 as compared to a profit before tax of US\$4.82 million in Q3 2013.

Consolidated Statement of Financial Position

Non-current assets

The Group's non-current assets amounted to US\$4.11 million as at 30 September 2014. The decrease in non-current assets from US\$6.27 million as at 31 December 2013 was mainly due to:

- i) Decrease in loans to a related party of US\$2.00 million; and
- ii) Decrease in deferred tax assets of US\$0.36 million; and
- iii) Partially offset by an increase in property, plant and equipment of US\$0.19 million attributable to a building under construction and an increase in film production inventories of US\$0.04 million.

Current assets

The Group's current assets amounted to US\$31.11 million as at 30 September 2014. The increase in current assets from US\$19.57 million as at 31 December 2013 was mainly due to:

- i) Increase in investments of US\$4.81 million primarily due to investment into convertible bonds of US\$2.00 million issued by UAA Korea Co., Ltd. (a talent management agency in Korea), convertible bonds of US\$0.26 million issued by Breakfastfilm Co., Ltd. (a commercial film and music video production company) and investments in film projects and film investment funds of US\$2.55 million; and
- ii) Increase in trade and other receivables of US\$1.47 million consistent with the growth in revenue; and
- iii) Increase in film production inventories of US\$1.15 million mainly due to a movie that are nearing the completion stage; and
- iv) Increase in cash and cash equivalents of US\$4.11 million.

Non-current liabilities

The Group's non-current liabilities amounted to US\$0.13 million as at 30 September 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\$16.60 million as at 30 September 2014. The increase in current liabilities from US\$15.43 million as at 31 December 2013 was mainly due to an increase of US\$1.90 million in film obligations and production loans related to advances which have been received from customers for films under production and an increase in trade and other payables of US\$1.04 million due to movies that are nearing the completion stage, partially offset by a decrease of US\$1.22 million in tax payables and a decrease of US\$0.57 million in deferred revenue.

Consolidated Statement of Cash Flow

As at 30 September 2014, the Group had cash and cash equivalents amounting to US\$13.32 million as compared to cash and cash equivalents amounting to US\$2.44 million as at 30 September 2013.

The significant cash movements during Q3 2014 as compared to Q3 2013 can be summarized as follows:

Cash flow used in operating activities for Q3 2014 amounted to US\$0.31 million as compared to cash flow used in operating activities of US\$1.73 million for Q3 2013. The cash flow used in operating activities for Q3 2014 was mainly due to operating loss of US\$3.91 million and the changes in working capital resulting from a decrease in receivables of US\$2.68 million, a decrease in film production inventories of US\$1.74 million and an increase in payables of US\$1.38 million, which was offset by a decrease in film obligations and production loans of US\$2.05 million and a increase in inventories of US\$0.10 million.

Cash flow used in investing activities for Q3 2014 was US\$0.96 million as compared to cash flow used in investing activities of US\$0.98 million for Q3 2013. The cash flow used in investing activities for Q3 2014 was mainly due to investment into film investment funds and projects of US\$0.87 million and purchase of property, plant and equipment of US\$0.14 million, offset by the collection of loans amounting to US\$0.1 million.

Cash flow generated from financing activities was US\$9.81 million for Q3 2014 as compared to cash flow generated from financing activities of US\$3.55 million for Q3 2013. The cash generated from financing activities in Q3 2014 was mainly due to the issuance of shares totaling US\$9.88 million.

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

Not applicable. No forecast or prospect statement has been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

As of 6 November 2014, the overall Korean box office revenues are down 4.5% YoY while total ticket admissions are down 10.5%. After posting a record number of overall admissions and revenues in 2013 due to several well performing domestic films (including *SNOWPIERCER* and *COLD EYES*), the Korean box office YTD 2014 has been characterized by an unusual number of Hollywood blockbuster films including *FROZEN*, *TRANSFORMERS: AGE OF EXTINCTION*, *GUARDIANS OF THE GALAXY*, *DAWN OF THE PLANET OF THE APES*, *EDGE OF TOMORROW*, *X-MEN: DAYS OF FUTURE PAST*, *CAPTAIN AMERICA: THE WINTER SOLDIER*, AND *THE AMAZING SPIDER-MAN 2*. Meanwhile, with the exception of a few blockbusters like *ROARING CURRENTS*, the domestic box office has been weak with admissions declining 27.9% YoY.

Two major events severely depressed the domestic box office in the first half of 2014: 1) the tragic sinking of the Sewol Ferry in 2Q 2014, which included more than 300 students, and 2) the 2014 Brazil World Cup, which lasted one month starting from 12 June 2014. In sympathy for the Sewol victims, Korean films in May were quietly released without any press conferences, VIP previews or relevant interviews. At the end of 2Q 2014, Korean films' admissions fell 35% YoY and revenues dropped 32% YoY, while foreign films'

admissions grew 33% and revenues increased 39% YoY. August 2014 witnessed a revival of the Korean box office led by the record setting performance of *ROARING CURRENTS*. However, following the summer months and the Chuseok holiday, September and October were soft months for cinema attendance, with no major success stories and a string of low-performing titles.

MY BRILLIANT LIFE, produced by Zip Cinema, was released on 3 September 2014 for the Chuseok holiday weekend. The movie sold 1.62 million tickets and sales may have been adversely affected by news on 18 August 2014 that the star of the movie, Song Hye-kyo had been investigated for tax evasion. Although the matter had been resolved in 2012 with Song paying a fine, the news leaked a few weeks before the opening of the movie, which inundated the film with negative publicity.

The winter is typically a strong season for admissions due to the long winter holiday for students. *BIG MATCH*, which is presented by Opus Pictures, will be released on 27 November 2014. It will compete with high-profile releases such as Christopher Nolan's *INTERSTELLAR* and *THE HUNGER GAMES*.

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 Q3 2014.

13. If the group has obtained a general mandate from shareholders for interested person transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders for interested person transactions.

There were no IPT of S\$100,000 and above for 9M 2014.

14. Use of IPO proceeds

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

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

Use of IPO Proceeds

	Amount allocated (S\$'000)	Amount utilised (S\$'000)	Balance (S\$'000)
Investment into films produced by us or third parties	5,500	1,200	4,300
Expansion of our Group's operations via acquisition, joint ventures and investments	2,000	1,697	303
Establishment of overseas offices	1,000	-	1,000
General working capital	2,337	1,453 ⁽¹⁾	884
IPO expenditure	2,163	2,163	-
Total	13,000	6,513	6,487

Note:

(1) The Company has reallocated S\$336,552 allocated for general working capital for the payment of IPO related expenses. The remaining S\$1,116,394 has been utilized for payment to suppliers (S\$1,077,082) and payment of salary (S\$39,312).

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

The Board of Directors of the Company confirms, to the best of their knowledge, nothing has come to their attention, which may render the unaudited financial results for the 3 months and 9 months financial periods ended 30 September 2014 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Charles Choi Spackman

Executive Chairman

Date: 14 November 2014