

spackmanentertainmentgroup

NEWS RELEASE

SPACKMAN ENTERTAINMENT GROUP RECORDS NET PROFIT OF US\$4.4 MILLION FOR 1H FY2017

- *Revenue increased 38% year-on-year to US\$10.5 million for 1H FY2017 mainly due to higher distribution of films*
- *Recorded a positive working capital of US\$10.9 million as at 30 June 2017*
- *Group's upcoming film is manhunt thriller movie, GOLDEN SLUMBER*
- *Group to revise business model and explore strategic opportunities to diversify into new business lines in entertainment and media-related segments*

Singapore, 10 August 2017 – Spackman Entertainment Group Limited (“**Spackman Entertainment Group**” or the “**Company**” and together with its subsidiaries, the “**Group**”), one of Korea’s leading entertainment production groups, recorded a net profit of US\$4.4 million for its first half ended 30 June 2017 (“**1H FY2017**”) as compared to a net loss of US\$3.5 million.

Revenue increased 38% year-on-year to US\$10.5 million for 1H FY2017 mainly as a result of an increase of US\$2.2 million from distribution of films and others, an increase of US\$0.3 million from leasing equipment business of Frame Pictures Co., Ltd. (“**Frame Pictures**”) and an increase of US\$0.3 million from production of films. The increase in revenue from distribution of films and others was mainly due to the recognition of the share of profit for acting as the producer for *MASTER* of US\$3.8 million and return on investment as a passive investor for *MASTER* of US\$0.2 million for 1H FY2017.

Other income went up by 46% year-on-year to US\$3.3 million for 1H FY2017 mainly due to the gain of US\$3.0 million on the partial disposal of the Company’s associated company, Spackman Media Group Limited (“**SMGL**”), as part of the acquisition of 100% equity interest in Frame Pictures, partially offset by a decrease in loss on film borne by external investors of US\$2.0 million. The gain of US\$3.0 million on disposal of 497,250 SMGL shares at US\$6.8 per SMGL share, arising from the acquisition of Frame Pictures, was calculated based on the sales proceeds of US\$3.4 million value in the disposed SMGL shares, subtracted by the carrying value of the disposed SMGL shares of US\$0.4 million via equity method.

Mr. Charles Spackman, Executive Chairman & Chief Executive Officer of Spackman Entertainment Group, said, “Though we are pleased that the Company is back into profitability for 1H FY2017 through our restructuring activities, we have yet to see this turnaround reflected in the value of our shares. It is quite evident that our share price is trading significantly lower than certain of our comparables in Asia; and we

realize that this could be mainly attributable to the fact that our financial performance is overly reliant on the sporadic income from one or two movies each year. Our primary objective in the remaining half of this fiscal year is to aggressively address this issue by revising our business model via entry into and development of new business lines, including talent management, TV dramas, and other entertainment and media-related segments. We also plan to explore strategic alternatives, including merger opportunities with other entertainment companies that can add to our existing business. Subsequent to restructuring our current operations into profitability so far this year, we recognize that there needs to be an impactful change in our current business model for us to bring the desired level of value to our shareholders.”

Outlook

According to the Korean Film Council, the South Korean film market reported a 3.4% increase in gross box office revenue to KRW 783.7 billion (US\$703.5 million) and a 2.8% year-on-year increase in admissions to 97.3 million for the first half of 2017.¹

The Group’s upcoming film is manhunt thriller movie, *GOLDEN SLUMBER*, starring Gang Dong-won and Han Hyo-joo. The estimated total production budget (including prints and advertising costs) for *GOLDEN SLUMBER* is set approximately at KRW 10 billion (US\$8.7 million).

The Group is currently in discussions to join as an investor for an upcoming film *NOW I WILL MEET YOU*, which is set to star top-tier Korean actors Son Ye-jin and So Ji Sub, who are both managed by SMGL. The Group will continue to seek more opportunities to collaborate with SMGL’s artists in creating and participating in quality content projects.

Presently, the Group is reviewing future acquisition opportunities and intends to reshape its business model to diversify its revenue stream. The Group shall aggressively pursue new acquisitions that will help the Group post a more consistent revenue stream and be less reliant on the box office performance of its movies.

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This press release is to be read in conjunction with the Company’s announcement posted on the SGXNet on 10 August 2017.

About Spackman Entertainment Group Limited

Spackman Entertainment Group Limited (“**SEGL**” or the “**Company**”), and together with its subsidiaries, (the “**Group**”) is a leading entertainment production company

¹ Source: Korean Film Council, <http://www.kobis.or.kr/>, July 2017

that is primarily engaged in the independent development, production, presentation, and financing of theatrical motion pictures in Korea. In addition to our film business, we also make investments into entertainment companies and film funds that can financially and strategically complement our existing core operations. SEGL is listed on the Catalist of the Singapore Exchange Securities Trading Limited under the ticker 40E.

SEGL's Zip Cinema Co., Ltd. ("**Zip Cinema**") is one of the most recognised film production labels in Korea and has originated and produced some of Korea's most commercially successful theatrical films, consecutively producing 8 profitable movies since 2009 representing an industry leading track record. Recent theatrical releases of Zip Cinema's motion pictures include some of Korea's highest grossing and award-winning films such as *MASTER* (2016), *THE PRIESTS* (2015), *COLD EYES* (2013), and *ALL ABOUT MY WIFE* (2012). For more information on Zip Cinema, do visit <http://zipcine.com>

SEGL also owns Novus Mediacorp Co., Ltd. ("**Novus Mediacorp**"), an investor, presenter, and/or ancillary distributor for a total of 75 films (52 Korean and 23 foreign) including *SECRETLY, GREATLY*, which was one of the biggest box office hits of 2013 starring Kim Soo-hyun of *MY LOVE FROM THE STARS* fame, as well as *FRIEND 2: THE GREAT LEGACY*. In 2012, Novus Mediacorp was also the ancillary distributor of *ALL ABOUT MY WIFE*, a top-grossing romantic comedy produced by Zip Cinema. For more information on Novus Mediacorp, do visit <http://novusmediacorp.com>

Our films are theatrically distributed and released in Korea and overseas markets, as well as for subsequent post-theatrical worldwide release in other forms of media, including cable TV, broadcast TV, IPTV, video-on-demand, and home video/DVD, etc. We release all of our motion pictures into wide-theatrical exhibition initially in Korea, and then in overseas and ancillary markets.

We also operate a café-lounge called Upper West, in the Gangnam district of Seoul and own a professional photography studio, noon pictures Co., Ltd..

The Company is a 26.2% strategic shareholder of Spackman Media Group Limited ("**SMGL**"). SMGL, a company incorporated in Hong Kong, together with its subsidiaries, collectively is the leading talent agency and entertainment content production company in Korea, managing over 60 artistes including some of the top names in the Korean entertainment industry. SMGL operates the talent management business through renowned agencies such as MS Team Entertainment Co., Ltd., UAA & Co Inc., Fiftyone K Inc., SBD Entertainment Inc., and Kook Entertainment Co., Ltd.

On 31 March 2017, the Group completed the acquisition of 100% equity interest in Frame Pictures Co., Ltd. ("**Frame Pictures**"). Frame Pictures is a leader in the movie/drama equipment leasing business in Korea. Established in 2014, Frame Pictures has worked with over 25 top directors and provided the camera and lighting equipment for some of Korea's most notable drama and movie projects including *THE LEGEND OF THE BLUE SEA* (2016) featuring Jeon Ji-hyeon and Lee Min-ho, as well as *VETERAN* (2015), the number one movie at the Korean box office in 2015 starring Yoo Ah-in.

For more details, do visit <http://www.spackmanentertainmentgroup.com/>

About Spackman Media Group Limited

Spackman Media Group Limited ("**SMGL**"), a company incorporated in Hong Kong, together with its subsidiaries, is collectively the largest entertainment talent agency in Korea in terms of the number of artists under management. SMGL manages over 60 artists including some of the top names in the Korean entertainment industry and operates its talent management business through renowned agencies such as MS Team Entertainment Co., Ltd., UAA & Co Inc., Fiftyone K Inc., SBD Entertainment Inc., and Kook Entertainment Co., Ltd.

The company, through its full-service talent agencies in Korea, represents and guides the professional careers of a leading roster of over 60 award-winning actors/actresses in the practice areas of motion pictures, television, commercial endorsements, and branded entertainment. The company leverages its unparalleled portfolio of artists as a platform to develop, produce, finance and own the highest quality of entertainment content projects, including theatrical motion pictures, variety shows, and TV dramas.

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