

spackmanentertainmentgroup

(Company Registration No.:201401201N)

Unaudited Financial Statement and Dividend Announcement For the Three Months and the Six Months Ended 30 June 2016

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

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

	Group Three Months Ended			Group Six Months Ended		
	30 June 2016 (Unaudited) US\$'000	30 June 2015 (Unaudited) US\$'000	Change %	30 June 2016 (Unaudited) US\$'000	30 June 2015 (Unaudited) US\$'000	Change %
	Revenue	3,734	504	640	7,589	2,029
Cost of sales	(4,306)	(631)	583	(8,888)	(1,882)	372
Gross (loss)/profit	(572)	(127)	NM	(1,299)	147	NM
Other income	202	55	269	2,251	154	1,365
Selling expenses	(126)	(120)	5	(194)	(210)	(8)
General and administrative expenses	(1,807)	(1,201)	50	(2,890)	(2,660)	9
Finance costs	(42)	(44)	(5)	(85)	(67)	27
Other expenses	(139)	(13)	994	(820)	(119)	592
Share of results of an associate	(159)	-	NM	(373)	-	NM
Loss before tax	(2,643)	(1,450)	82	(3,410)	(2,755)	24
Tax credit/(expense)	144	(47)	NM	69	(33)	NM
Loss from continuing operations	(2,499)	(1,497)	67	(3,341)	(2,788)	20
Loss from discontinued operation, net of tax	(124)	(149)	(17)	(166)	(99)	67
Loss for the year	(2,623)	(1,646)	59	(3,507)	(2,887)	21
Other comprehensive income						
<i>Items that are or may be reclassified subsequently to profit or loss</i>						
Other comprehensive income on Equity method	36	-	NM	(134)	-	NM
Currency translation difference arising from consolidation	(81)	(126)	(36)	56	(162)	NM
Total comprehensive loss for the period	(2,668)	(1,772)	51	(3,585)	(3,049)	18

Loss for the period attributable to:

Equity holders of the Company	(2,490)	(1,522)	64	(3,455)	(2,761)	25
Non-controlling interests	(133)	(124)	NM	(52)	(126)	NM
	<u>(2,623)</u>	<u>(1,646)</u>	<u>59</u>	<u>(3,507)</u>	<u>(2,887)</u>	<u>21</u>
Total comprehensive loss for the period attributable to:						
Equity holders of the Company	(2,517)	(1,613)	56	(3,542)	(2,881)	23
Non-controlling interests	(151)	(159)	NM	(43)	(168)	NM
	<u>(2,668)</u>	<u>(1,772)</u>	<u>51</u>	<u>(3,585)</u>	<u>(3,049)</u>	<u>18</u>

NM – Not meaningful

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

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

	Three Months Ended			Six Months Ended		
	30 June 2016	30 June 2015	Change	30 June 2016	30 June 2015	Change
	(Unaudited) US\$'000	(Unaudited) US\$'000		(Unaudited) US\$'000	(Unaudited) US\$'000	
Personnel expenses	863	981	(12)	1,616	1,600	1
Rent expense	246	152	62	452	323	40
Service expenses	205	158	30	446	397	12
Impairment loss on film production inventories	28	-	NM	59	-	NM
Depreciation and amortization	36	39	(8)	66	62	6
Reversal of allowance of doubtful receivables	187	(39)	NM	(67)	(46)	46
Allowance for doubtful receivables	43	-	NM	43	-	NM
(Loss)/profit on film distributable to external investor	(67)	13	NM	603	119	407
(Loss)/gain on film borne by external investors	240	-	NM	(1,723)	-	NM
Interest expense	42	44	(5)	85	67	27
Interest income	(15)	(36)	(58)	(39)	(86)	(55)
Foreign exchange gain, net	(80)	(19)	321	(39)	(128)	(70)

NM – Not meaningful

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

	Three Months Ended			Six Months Ended		
	30 June 2016	30 June 2015	Change	30 June 2016	30 June 2015	Change
	(Unaudited) US\$'000	(Unaudited) US\$'000		(Unaudited) US\$'000	(Unaudited) US\$'000	
Personnel expenses	44	84	(48)	143	171	(16)
Rent expense	1	17	(94)	9	27	(67)
Service expenses	32	113	(72)	65	268	(76)
Depreciation and amortization	-	3	NM	7	17	(59)
Reversal of allowance of doubtful receivables	(254)	-	NM	-	-	-
Interest income	(2)	-	NM	(3)	(15)	(80)
Foreign exchange loss/(gain), net	3	(5)	NM	3	(4)	NM

NM – Not meaningful

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

	Group		Company	
	30 June 2016 (Unaudited) US\$'000	31 December 2015 (Audited) US\$'000	30 June 2016 (Unaudited) US\$'000	31 December 2015 (Audited) US\$'000
Assets				
Investment in subsidiaries	-	-	16,245	16,245
Investment in associates	3,217	3,577	2,477	2,477
Property, plant and equipment	3,435	3,338	14	14
Intangible assets	830	841	-	-
Film production inventories	579	1,762	-	-
Long term investment	-	60	-	-
Deferred tax assets	52	-	-	-
Non-current assets	8,113	9,578	18,736	18,736
Investments	3,629	6,887	-	-
Trade and other receivables	5,081	21,109	1,470	1,892
Film production inventories	2,953	6,672	-	-
Inventories	81	3	-	-
Cash and cash equivalents	3,504	4,114	558	824
	15,248	38,785	2,028	2,716
Disposal group assets classified as held for sale	9,937	8,948	-	-
Current assets	25,185	47,733	2,028	2,716
Total assets	33,298	57,311	20,764	21,452
Liabilities				
Borrowings	1,975	1,962	-	-
Other non-current liabilities	142	39	-	-
Deferred tax liabilities	74	307	-	-
Non-current liabilities	2,191	2,308	-	-
Trade and other payables	2,494	15,705	129	163
Deferred revenue	1,638	3,833	-	-
Borrowings	897	3,123	-	-
Film obligation and production loans	4,215	10,226	-	-
Liabilities directly associated with disposal group classified as held for sale	8,450	5,421	-	-
Tax payables	155	-	-	-
Current liabilities	17,849	38,308	129	163
Total liabilities	20,040	40,616	129	163
Net assets	13,258	16,695	20,635	21,289
Share capital and reserves				
Share capital	25,019	25,019	25,019	25,019
Other reserves	(3,108)	(3,100)	-	-
Accumulated losses	(10,103)	(6,647)	(4,384)	(3,730)
Reserve of disposal group classified as held for sale	(137)	(207)	-	-
Equity attributable to equity holders of the Company, total	11,671	15,065	20,635	21,289
Non-controlling interests	1,587	1,630	-	-
Total equity	13,258	16,695	20,635	21,289

1(b)(ii) Aggregate amount of group's borrowings and debt securities**Amount repayable in one year or less, or on demand**

As at 30 June 2016 (Unaudited)		As at 31 December 2015 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
-	897	1,135	1,988

Amount repayable after one year

As at 30 June 2016 (Unaudited)		As at 31 December 2015 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
1,975	-	1,962	-

Details of any collateral

The Group's secured portion of short-term borrowings is secured by either the Korea Technology Credit Guarantee Fund or guaranteed by the chief executive officer of Opus Pictures Limited Liability Company and all long-term borrowings is secured over land and a building with carrying amounts of US\$3,042,379.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Cash Flows

	Group			
	3 Months Ended		6 Months Ended	
	30 June 2016 (Unaudited) US\$'000	30 June 2015 (Unaudited) US\$'000	30 June 2016 (Unaudited) US\$'000	30 June 2015 (Unaudited) US\$'000
Operating activities				
Loss before income tax from continuing operations	(2,643)	(1,450)	(3,410)	(2,755)
Loss before income tax from discontinued operation	(124)	(148)	(166)	(86)
Adjustments for:				
Depreciation and amortization	36	42	73	79
Interest income	(17)	(36)	(42)	(101)
Interest expense	42	44	85	67
Reversal of allowance of doubtful receivables	(67)	(39)	(67)	(46)
Allowance for doubtful receivables	43	-	43	-
Impairment loss on film production inventories	28	-	59	-
Impairment loss on investment in theatrical film projects	469	-	469	-
Loss on equity method	159	-	373	-
(Gain)/Loss on short term investments	(6)	77	(27)	69
Loss/(Gain) on film borne by external investors	240	-	(1,723)	-
Loss/(Gain) on disposal of property, plant and equipment	1	(2)	1	(2)
Operating loss before working capital changes	(1,839)	(1,512)	(4,332)	(2,775)
Working capital changes				
Inventories	1	143	1	209
Film production inventories	836	(2,206)	(1,934)	(5,074)
Investment in theatrical film projects, net	-	(127)	-	(127)
Receivables	2,196	(1,515)	22,787	1,578
Payables	(4,062)	2,344	(20,134)	(205)
Cash used in operations	(2,868)	(2,873)	(3,612)	(6,394)
Interest received	28	54	61	92
Income tax paid	(87)	(31)	(296)	(85)
Net cash used in operating activities	(2,927)	(2,850)	(3,847)	(6,387)
Investing activities				
Loans granted	(488)	(291)	(540)	(318)
Collection of loans	208	751	258	866
Purchases of property, plant and equipment	(92)	(618)	(140)	(908)
Proceeds from disposal of property, plant and equipment	68	-	68	-
Purchases of intangible assets	(5)	-	(5)	-
Acquisition of subsidiaries	-	(509)	-	(509)
Acquisition of associates	-	(1,000)	-	(1,000)
Investment in short term investments	(850)	(1,712)	(882)	(1,766)
Proceeds from disposal of short term investments	80	590	105	995
Investment in long term investments	(4)	13	(16)	-

	Group			
	3 Months Ended		6 Months Ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US\$'000	US\$'000	US\$'000	US\$'000
Proceeds from disposal of long term investments	59	-	59	-
Acquisition of investment in securities	(212)	9	(220)	-
Disposal of Investment in securities	240	1,610	1,507	-
Acquisition of investments in project	(2)	100	(102)	-
Disposal of investments in project	1	-	84	-
Decrease of leasehold deposit	182	-	189	-
Increase of leasehold deposit	(22)	4	(22)	-
Net cash (used in)/from investing activities	(837)	(1,053)	343	(2,640)
Financing activities				
Repayment of loans	(222)	(563)	(1,838)	(836)
Additional loans	919	1,738	940	2,038
Additional film obligations and production loans	430	1,295	3,510	6,890
Repayment of film obligations and production loans	(1,351)	(150)	(1,354)	(3,656)
Additional leasehold deposits received	84	-	84	-
Issuance of shares	-	(595)	-	-
Stock issuance cost	-	4	-	-
Interest paid	(33)	(10)	(113)	(51)
Net cash (used in)/from financing activities	(173)	1,719	1,229	4,385
Net change in cash and cash equivalents	(3,937)	(2,184)	(2,275)	(4,642)
Cash and cash equivalents at beginning of financial period	7,784	10,230	5,949	12,176
Effect of exchange rate changes	(261)	76	(88)	78
Cash generated from the acquisition of subsidiary	-	(510)	-	-
Cash and cash equivalents at end of the financial period	3,586	7,612	3,586	7,612
Cash and cash equivalents comprise:				
Continuing operations:				
Cash and bank balances	3,455	2,879	3,455	2,879
Money market funds	49	1,916	49	1,916
	3,504	4,795	3,504	4,795
Cash and cash equivalents comprise:				
Discontinued operation:				
Cash and bank balances	82	747	82	747
Money market funds	-	2,070	-	2,070
	82	2,817	82	2,817

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	Reserve of disposal group classified as held for sale	Total	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 April 2016	25,019	(3,072)	(7,613)	(147)	14,187	1,738	15,925
Loss for the period	-	-	(2,490)	-	(2,490)	(133)	(2,623)
Other comprehensive profit for the period	-	36	-	-	36	-	36
Currency translation difference on consolidation	-	(62)	-	-	(62)	(18)	(80)
	-	(26)	(2,490)	-	(2,516)	(151)	(2,667)
Reserve attributable to disposal group classified as held for sale	-	(10)	-	10	-	-	-
Balance as at 30 June 2016	25,019	(3,108)	(10,103)	(137)	11,671	1,587	13,258
Balance as at 1 April 2015	25,019	(2,743)	(6,773)	-	15,503	2,030	17,533
Loss for the period	-	-	(1,522)	-	(1,522)	(124)	(1,646)
Currency translation difference on consolidation	-	(91)	-	-	(91)	(35)	(126)
	-	(91)	(1,522)	-	(1,613)	(159)	(1,772)
Balance as at 30 June 2015	25,019	(2,834)	(8,295)	-	13,890	1,871	15,761

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 1 April 2016	25,019	-	(3,997)	21,022	-	21,022
Loss and total comprehensive loss for the period	-	-	(387)	(387)	-	(387)
Balance as at 30 June 2016	25,019	-	(4,384)	20,635	-	20,635
Balance as at 1 April 2015	25,019	-	(2,530)	22,489	-	22,489
Loss and total comprehensive loss for the period	-	-	(421)	(421)	-	(421)
Balance as at 30 June 2015	25,019	-	(2,951)	22,068	-	22,068

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

Shares Capital – Ordinary Shares

	<u>Number of shares</u>	<u>Issued and paid-up share capital</u>
Balance as at 1 April 2016 and 30 June 2016	398,770,209	US\$25,019,233

The Company did not have any outstanding options, convertibles or treasury shares as at 30 June 2016 and 30 June 2015.

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

	<u>As at 30 June 2016</u>	<u>As at 31 December 2015</u>
Total number of issued shares	398,770,209	398,770,209

The Company did not have any treasury shares as at 30 June 2016 and 31 December 2015.

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

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

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

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

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

Not applicable.

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

Save as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as those used in the most recently audited annual financial statements for the financial year ended 31 December 2015 ("FY2015").

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 FY2015, 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 2016. The adoption of these new and revised FRS and INT FRS did not result in any substantial change to the Group's and the Company's accounting policies and has no significant impact on the financial statements for the current financial reporting period.

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

	Group		Group	
	3 months ended		6 months ended	
Loss per share ("LPS")	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
Loss attributable to shareholders of the Company (US\$)	2,489,969	1,521,772	3,455,194	2,761,282
Weighted average number of ordinary shares in issue	398,770,209	398,770,209	398,770,209	398,617,272
Basic and fully diluted basis LPS (US cents) ⁽¹⁾	0.624	0.382	0.866	0.693
Adjusted LPS (US cents) ⁽²⁾	0.624	0.382	0.866	0.692

Notes:

- (1) 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.
- (2) For comparative purposes, the adjusted LPS of the Group for the respective periods was calculated based on 398,770,209 ordinary shares in issue as at 30 June 2016.

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

	Group		Company	
	30 June	31 December	30 June	31 December
	2016	2015	2016	2015
Net asset value (US\$)	13,257,594	16,694,988	20,634,910	21,289,299
Number of ordinary shares in issue	398,770,209	398,770,209	398,770,209	398,770,209
Net asset value per ordinary share (US\$)	0.033	0.042	0.052	0.053

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

Six months ended 30 June 2016 ("6M 2016") vs Six months ended 30 June 2015 ("6M 2015")

The breakdown of revenue in 6M 2016 and 6M 2015 is as follows:

Source of revenue	Group	
	6M 2016 (Unaudited) US\$ million	6M 2015 (Unaudited) US\$ million
Production of films	4.76	-
Distribution of films and others (*)	2.53	0.79
Production of documentaries	0.01	0.99
Restaurant sales and café lounge business	0.21	0.17
Photography	0.08	0.08
Total	7.59	2.03

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

Revenue increased by approximately US\$5.56 million or 274% year-on-year ("YoY") from US\$2.03 million in 6M 2015 to US\$7.59 million in 6M 2016. The increase arose mainly due to *MASTER* (produced by an indirect wholly-owned subsidiary of the Company, Zip Cinema Co., Ltd. ("**ZIP Cinema**") and presented by a third party, CJ E&M under production during 6M 2016, while there were no films under production during 6M 2015, where the Group is the producer but the presenter is a third party. 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 6M 2016, the Group generated US\$4.76 million in film production from *MASTER* which is currently expected to be released in the 4th quarter of 2016. The Group also distributed several motion films including *THE PRIESTS*, *CHASING*, *MUSUDAN* and others, which generated distribution revenue of US\$2.53 million. In addition, US\$0.30 million of revenue was generated from restaurant sales from our café lounge business (US\$0.21 million), photography services (US\$0.08 million) and production of documentaries (US\$0.01 million).

In 6M 2015, the Group distributed several motion films including *BIG MATCH*, *MY BRILLIANT LIFE*, *FOR THE EMPEROR* and others which generated distribution revenue of US\$0.79 million. In addition, US\$1.24 million of revenue was generated from the production of documentaries (US\$0.99 million), restaurant sales from our café lounge business (US\$0.17 million) and photography (US\$0.08 million).

Three months ended 30 June 2016 (“Q2 2016”) vs Three months ended 30 June 2015 (“Q2 2015”)

The breakdown of revenue in Q2 2016 and Q2 2015 is as follows:

Source of revenue	Group	
	Q2 2016 (Unaudited) US\$ million	Q2 2015 (Unaudited) US\$ million
Production of films	3.04	-
Distribution of films and others (*)	0.51	0.11
Production of documentaries	0.01	0.31
Restaurant sales and café lounge business	0.15	0.07
Photography	0.02	0.01
Total	3.73	0.50

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

Revenue increased by approximately US\$3.23 million or 640% YoY from US\$0.50 million in Q2 2015 to US\$3.73 million in Q2 2016.

In Q2 2016, the Group generated US\$3.04 million in film production from *MASTER*. The Group also distributed several motion films including *THE PRIESTS*, *CHASING*, *MUSUDAN* and others, which generated distribution revenue of US\$0.51 million. In addition, US\$0.18 million of revenue was generated from the production of documentaries (US\$0.01 million), restaurant sales from our café lounge business (US\$0.15 million), and photography services (US\$0.02 million).

In Q2 2015, the Group distributed several motion films including *BIG MATCH*, *MY BRILLIANT LIFE*, *FOR THE EMPEROR* and others, which generated distribution revenue of US\$0.11 million. In addition, US\$0.39 million of revenue was generated from the production of documentaries (US\$0.31 million), restaurant sales from our café lounge business (US\$0.07 million), and photography services (US\$0.01 million).

Cost of sales

6M 2016 vs 6M 2015

The breakdown of cost of sales in 6M 2016 and 6M 2015 is as follows:

Cost of sales	Group	
	6M 2016 (Unaudited) US\$ million	6M 2015 (Unaudited) US\$ million
Production of films	4.50	-
Distribution of films and others(*)	4.31	0.72
Production of documentaries	0.01	1.10
Restaurant sales and café lounge business	0.07	0.06
Total	8.89	1.88

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

Our cost of sales increased by US\$7.01 million or 372% YoY from US\$1.88 million in 6M 2015 to US\$8.89 million in 6M 2016, mainly because of the same reason which resulted in the increase in the Group's revenue.

In 6M 2016, cost of sales incurred from production of *MASTER* was US\$4.50 million. Cost of sales of US\$4.31 million was attributable to the distribution of several films including *THE PRIESTS*, *CHASING*, *MUSUDAN* and others. In addition, US\$0.08 million of cost of sales was incurred from the restaurant sales and café lounge business (US\$0.07 million) and the production of documentaries (US\$0.01 million).

In 6M 2015, cost of sales incurred from distribution of several motion films including *BIG MATCH*, *MY BRILLIANT LIFE*, *FOR THE EMPEROR* and others was US\$0.72 million. In addition, US\$1.16 million of cost of sales was incurred from the production of documentaries (US\$1.10 million) and the café lounge business (US\$0.06 million).

Q2 2016 vs Q2 2015

The breakdown of cost of sales in Q2 2016 and Q2 2015 is as follows:

Cost of sales	Group	
	Q2 2016 (Unaudited) US\$ million	Q2 2015 (Unaudited) US\$ million
Production of films	2.85	-
Distribution of films and others(*)	1.40	0.21
Production of documentaries	0.01	0.42
Restaurant sales and café lounge business	0.05	-
Total	4.31	0.63

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

Our cost of sales increased by US\$3.68 million or 583% YoY from US\$0.63 million in Q2 2015 to US\$4.31 million in Q2 2016, mainly because of the same reason which resulted in the increase in the Group's revenue.

In Q2 2016, cost of sales incurred from production of *MASTER* was US\$2.85 million. Cost of sales of US\$1.40 million was attributable to the distribution of several films including *THE PRIESTS*, *CHASING*, *MUSUDAN* and others. In addition, US\$0.06 million of cost of sales was incurred from the production of documentaries (US\$0.01 million) and the café lounge business (US\$0.05 million).

In Q2 2015, cost of sales incurred from distribution of several motion films including *BIG MATCH*, *MY BRILLIANT LIFE*, *FOR THE EMPEROR* and others was US\$0.21 million and US\$0.42 million of cost of sales incurred from the production of documentaries.

Gross profit/(loss)

6M 2016 vs 6M 2015

The Group recorded a gross loss of US\$1.30 million in 6M 2016 as compared to a gross profit of US\$0.15 million in 6M 2015. The reversal from a gross profit margin of 7.2% recorded in 6M 2015 to a gross loss margin of 17.1% in 6M 2016 was mainly due to a gross loss of US\$1.78 million from distribution of films which was primarily attributable to the lackluster performance of two films released during 6M 2016, *CHASING* (presented by Opus Pictures and produced by 3rd party) and *MUSUDAN* (presented by Opus Pictures and produced by 3rd party).

Q2 2016 vs Q2 2015

The Group recorded a gross loss of US\$0.57 million in Q2 2016 as compared to a gross loss of US\$0.13 million in Q2 2015. The gross loss margin decreased from 25.2% in Q2 2015 to 15.3% in Q2 2016 mainly due to the gross profit margin from the production of *MASTER* in Q2 2016.

Other income

6M 2016 vs 6M 2015

Other income increased by US\$2.10 million or 1,365% YoY from US\$0.15 million in 6M 2015 to US\$2.25 million in 6M 2016. The increase was mainly due to the loss on film borne by external investors of US\$1.72 million (6M 2015: nil) and foreign exchange gain of US\$0.12 million from US\$0.03 million in 6M 2015 to US\$0.15 million 6M 2016. The loss on film borne by external investor in 6M 2016 was incurred from *MUSUDAN* (US\$1.04 million) and *CHASING* (US\$0.68 million).

Q2 2016 vs Q2 2015

Other income increased by US\$0.14 million or 269% YoY from US\$0.06 million in Q2 2015 to US\$0.20 million Q2 2016. The increase was mainly due to foreign exchange gain of US\$0.09 million from US\$0.03 million in Q2 2015 to US\$0.12 million in Q2 2016 and reversal of bad debt allowance of US\$0.07 million (Q2 2015: US\$0.04 million).

Selling expenses

6M 2016 vs 6M 2015

There was no significant change in selling expenses (6M 2016: US\$0.19 million, 6M 2015: US\$0.21 million).

Q2 2016 vs Q2 2015

There was no significant change in selling expenses (Q2 2016: US\$0.13 million, Q2 2015: US\$0.12 million).

General and administrative expenses

6M 2016 vs 6M 2015

General and administrative expenses increased by US\$0.23 million or 9% YoY from US\$2.66 million in 6M 2015 to US\$2.89 million in 6M 2016. The increase was mainly due to an increase in rent expense of US\$0.13 million from US\$0.27 million in 6M 2015 to US\$0.40 million in 6M 2016 and an increase in allowance of doubtful receivables of US\$0.04 million (6M 2015: nil). The increase in rent expense was mainly due to the Singapore office which opened from May 2015 and the increase in allowance of doubtful receivables was due to provision of bad debt allowance on loans to 3rd party production company.

Q2 2016 vs Q2 2015

General and administrative expenses increased by US\$0.61 million or 50% YoY from US\$1.20 million in Q2 2015 to US\$1.81 million in Q2 2016. The increase was mainly due to an increase in rent expense of US\$0.14 million from US\$0.09 million in Q2 2015 to US\$0.23 million in Q2 2016, the reversal of allowance of doubtful receivables of US\$0.25 million (Q2 2015: nil), an increase in allowance of doubtful receivables of US\$0.04 million (Q2 2015: nil) and an increase in service fees of US\$0.05 million from US\$0.16 million in Q2 2015 to US\$0.21 million in Q2 2016. The increase in rent expense and allowance of doubtful receivables were mainly due to same reasons as explained above. The reversal of allowance of doubtful receivables was due to the reversal of bad debt provision provided to receivables which were reclassified as assets held for sale pursuant to the Proposed Restructuring (as defined below). The increase in service fees was mainly attributable to professional fees which were incurred for the Proposed Restructuring (as defined below).

Finance costs

6M 2016 vs 6M 2015

Finance costs increased by US\$0.02 million or 27% YoY from US\$0.07 million in 6M 2015 to US\$0.09 million in 6m 2016 mainly due to an increase in the interest expenses on bank loans related to the construction of a building.

Q2 2016 vs Q2 2015

There was no significant change in finance costs (Q2 2016 and 2Q 2015: US\$0.04 million).

Other expenses

6M 2016 vs 6M 2015

Other expenses were US\$0.82 million in 6M 2016 compared with US\$0.12 million in 6M 2015. These other expenses were related to profit on film distributable to external investments from *THE PRIESTS* in 6M 2016 and from *FOR THE EMPEROR* in 6M 2015, respectively. Such expenses were higher in 6M 2016 due to the better performance of *THE PRIESTS*.

Q2 2016 vs Q2 2015

Other expenses were US\$0.14 million in Q2 2016 compared with US\$0.01 million in Q2 2015. The increase was mainly due to same reasons as explained above.

Share of results of associate

6M 2016 vs 6M 2015

The share of results of associate of a loss of US\$0.37 million in 6M 2016 (6M 2015: nil) was attributable to the loss from the Company's 27.2% owned associated company, Spackman Media Group Limited. ("SMGL"). The Company had on 13 May 2016 completed the share swap of the Company's 45.8% interest in its associated company, Spackman Media Group Pte. Ltd. ("SMGPL") in consideration for 27.2% interest in SMGL. SMGL's losses in 6M 2016 were mainly due to the losses of US\$0.15 million from its variety show production business through Delmedia Co., Ltd. (which is 99% owned by SMGL), US\$0.05 million from its TV/media commercials and music video production business through Breakfastfilm Co., Ltd. (which is 51% owned by SMGL), US\$0.03 million from its talent management business through MS Team Entertainment Co., Ltd., Kook Entertainment Co., Ltd, SBD Entertainment Inc and UL Entertainment Co., Ltd. (all of which are wholly owned subsidiaries of SMGL), and general and administrative expenses of US\$0.14 million incurred by SMGL and its wholly owned subsidiary, SMGPL.

Q2 2016 vs Q2 2015

The share of results of associate of a loss of US\$0.16 million in Q2 2016 (Q2 2015: nil) was attributable to the loss from SMGL. SMGL's losses in Q2 2016 were mainly due to US\$0.05 million from Breakfastfilm Co., Ltd., US\$0.03 million from its talent management business through its wholly owned subsidiaries, MS Team Entertainment Co., Ltd., Kook Entertainment Co., Ltd, SBD Entertainment Inc and UL Entertainment Co., Ltd., and general and administrative expenses of US\$0.08 million incurred by SMGL and SMGPL.

Tax (expenses)/credit

6M 2016 vs 6M 2015

The Group recorded tax credit of US\$0.07 million in 6M 2016 compared to tax expense of US\$0.03 million in 6M 2015 as all of the Company's subsidiaries were loss-making in 6M 2015 and Zip Cinema recognized deferred tax assets.

Q2 2016 vs Q2 2015

The Group recorded tax credit of US\$0.14 million in Q2 2016 compared to tax expense of US\$0.05 million in Q2 2015, mainly due to same reasons as explained above.

Loss before tax

6M 2016 vs 6M 2015

As a result of the above, our loss before tax increased by US\$0.65 million or 24% YoY from a loss before tax of US\$2.76 million in 6M 2015 as compared to a loss before tax of US\$3.41 million in 6M 2016.

Q2 2016 vs Q2 2015

As a result of the above, we recorded a loss before tax of US\$2.64 million in Q2 2016 as compared to a loss before tax of US\$1.45 million in Q2 2015.

Discontinued operation

On 19 April 2016, Spackman Entertainment Group (HK) Limited, a direct wholly-owned subsidiary of the Company and Spackman Equities Limited, an indirect wholly-owned subsidiary of the Company entered into a conditional share sale and purchase agreement with Tae Hun Lee (the “**Purchaser**”), the former Executive Director and Chief Executive Officer of the Group for the sale of the Group’s 100% equity interest in Opus Pictures Limited Liability Company (“**Opus Pictures**”) and 51.50% equity interest in UAA Korea Co., Ltd. (“**UAA Korea**”) to the Purchaser (the “**Proposed Restructuring**”). The Proposed Restructuring will allow the Company to dispose of its major loss-making asset, Opus Pictures and will enable the Group to streamline its core operations and to better focus its resources on its profitable theatrical film business carried out through its subsidiaries, Zip Cinema and Novus Mediacorp Co., Ltd.

Further to the termination of the proposed disposal of the Group’s 51.36% interest in UAA Korea (details of which are set out in the Company’s announcement on 30 December 2015 and 19 April 2016), UAA Korea will be disposed to the Purchaser instead as part of the Proposed Restructuring and the Group’s talent management business will be discontinued. Based on the Proposed Restructuring, the statement of profit or loss and other comprehensive income of UAA Korea was classified as a single amount, loss from discontinued operation, of US\$0.17 million in 6M 2016 and US\$0.12 million in Q2 2016 (6M 2015: US\$0.10 million, Q2 2015: US\$0.15 million).

Consolidated Statement of Financial Position

The Group's non-current assets amounted to US\$8.11 million as at 30 June 2016. The decrease in non-current assets from US\$9.58 million as at 31 December 2015 was mainly due to:

- i) Decrease in investment in associates of US\$0.36 million due to the loss from the Company's 27.2% owned associate company, SMGL;
- ii) Decrease in film production inventories of US\$1.18 million and long term investment of US\$0.06 million, which were owned by Opus Pictures, mainly due to the reclassification of such assets as assets held for sale pursuant to the Proposed Restructuring; and
- iii) Partially offset by an increase in deferred tax assets of US\$0.05 million due to the deferred tax assets recognized by Zip Cinema.

Current assets

The Group's current assets amounted to US\$25.19 million as at 30 June 2016. The decrease in current assets from US\$47.73 million as at 31 December 2015 was mainly due to:

- i) Decrease in trade receivables of US\$17.36 million mainly due to the collection of trade receivables related to *THE PRIESTS*;
- ii) Decrease in film production inventories of US\$3.72 million mainly due to two films, *CHASING* and *MUSUDAN*, which were released in Q1 2016;
- iii) Decrease in investments by US\$3.26 million mainly due to the reclassification of US\$1.88 million of Opus Pictures' total assets to assets held for sale pursuant to the Proposed Restructuring and US\$1.38 million of disposed film investment funds;
- iv) Decrease in cash and cash equivalents of US\$0.61 million mainly due to the reasons as explained under the discussion for the "Consolidated Statement of Cash Flow" below; and
- v) Partially offset by an increase in disposal group assets classified as held for sale of US\$0.99 million primarily attributable to the reclassification of Opus Pictures' total assets as held for sale in relation to the Proposed Restructuring.

Non-current liabilities

The Group's non-current liabilities amounted to US\$2.19 million as at 30 June 2016 and there were no significant changes compared with US\$2.31 million as at 31 December 2015.

Current liabilities

The Group's current liabilities amounted to US\$17.85 million as at 30 June 2016. The decrease in current liabilities from US\$38.31 million as at 31 December 2015 was mainly due to:

- i) a decrease in trade payables of US\$3.86 million and share of box office proceeds payable to investors of US\$9.26 million, which were both mainly due to the payments related to *THE PRIESTS*;
- ii) a decrease in film obligations and production loans of US\$6.01 million mainly due to the repayments to investors of *THE PRIESTS*;
- iii) a decrease in short term borrowings of US\$2.23 million held by Opus Pictures, mainly

- due to reclassification of Opus Pictures' total liabilities as liabilities held for sale;
- iv) a decrease in deferred revenue of US\$2.20 million mainly as the minimum guarantee received for the Group's sale of distribution rights in ancillary market of films were released to revenue from distribution of films; and
 - v) partially offset by an increase of US\$3.03 million in liabilities directly associated with disposal group classified as held for sale, primarily attributable to the reclassification of Opus Pictures' total liabilities as held for sale in relation to the Proposed Restructuring; and
 - vi) tax payables of US\$0.16 million as at 30 June 2016 (31 December 2015: nil) mainly due to chargeable income from Zip Cinema in 6M 2016.

Consolidated Statement of Cash Flow

As at 30 June 2016, the Group had cash and cash equivalents amounting to US\$3.59 million (comprised of US\$3.51 million from continuing operation and US\$0.08 million from discontinued operation) as compared to cash and cash equivalents amounting to US\$7.61 million as at 30 June 2015.

The significant cash movements during Q2 2016 as compared to Q2 2015 can be summarised as follows:

Cash flow used in operating activities for Q2 2016 amounted to US\$2.93 million as compared to cash used in operating activities of US\$2.85 million for Q2 2015. The cash flow used in operating activities for Q2 2016 was mainly due to the operating loss before working capital changes of US\$1.84 million and net working capital outflows of US\$1.03 million resulting from a decrease in payables of US\$4.06 million, offset by a decrease in receivables of US\$2.20 million and a decrease in film production inventories of US\$0.84 million.

Cash flow used in investing activities for Q2 2016 was US\$0.84 million as compared to cash flow used in investing activities of US\$1.05 million for Q2 2015. The cash flow used in investing activities for Q2 2016 was mainly due to cash used for short term investments of US\$0.85 million, loans granted of US\$0.49 million and investment in securities of US\$0.21 million, offset by the proceeds from disposal of investment in securities of US\$0.24 million, collection of loans of US\$0.21 million and a decrease of leasehold deposit of US\$0.18 million.

Cash flow used in financing activities was US\$0.17 million for Q2 2016 as compared to cash flow generated from financing activities of US\$1.72 million for Q2 2015. The cash used in financing activities in Q2 2016 was mainly due to repayment of film obligations and production loans of US\$1.35 million and repayment of loans of US\$0.22 million, offset by proceeds from additional loans of US\$0.92 million for the purpose of working capital and proceeds from additional film obligations and production loans of US\$0.43 million which was primarily for the production of *SPLIT* (produced and presented by Opus Pictures).

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.

For the first half of 2016, the South Korean film market remained relatively stable with a 0.5% year-on-year decrease in admissions to 94.6 million and the same rate of decrease year-on-year in gross box office to US\$663.9 million. According to the Korean Film Council¹, admissions for local films increased 8.4% to 43.8 million in the first half of 2016 compared to the same period last year. The market share for local films increased 3.8% year-on-year to 46.7%.

The number of theatrical releases targeting the online market increased by 243 titles to reach 737 titles in the first half of 2016. This increase is mainly attributable to the growth of the digital online market led by IPTV.

The Group believes that the rise of online platforms for films will bode well for its development beyond traditional theatres. It shall continue to seek opportunities to leverage an integrated platform combining both traditional and online channels to reap higher benefits for the Group's film performance.

On 25 July 2016, the Group announced that Alibaba Pictures Group Limited has purchased the rights to distribute the Group's film LIFE RISKING ROMANCE in movie theatres and online platforms in China. LIFE RISKING ROMANCE, a romance thriller starring Ha Ji-won, Chun Jung-myung and Chen Bolin, is set to be released in Korea in the fourth quarter of 2016. The film is presented and co-produced by the Group's majority-owned subsidiary Novus Mediacorp Co., Ltd.

The Group's second major Korean release in 2016, MASTER, a highly anticipated crime-action movie starring Lee Byung-hun, Gang Dong-won, and Kim Woo-bin, is slated to be screened in the fourth quarter of 2016. The film is produced by the Group's indirect wholly-owned subsidiary ZIP Cinema Co., Ltd.

The Company will convene an extraordinary general meeting on 12 August 2016 to seek shareholders' approval for the proposed disposal of its loss-making asset, Opus Pictures Limited Liability Company. The proposed disposal is expected to be recorded as a net gain on disposal upon completion. Further details on the financial effects of the proposed disposal are outlined in the Company's circular dated 28 July 2016.

(¹Source: Korean Film Council, www.kofic.or.kr, 13 July 2016; Screen International, www.screendaily.com, 21 July 2016)

11. Dividend

(a) Current Financial Period Reported On: Any dividend declared for the current financial period reported on?

No

(b) Corresponding Period of the Immediately Preceding Financial Year: Any dividend declared for the corresponding period of the immediately preceding financial year?

No

(c) Date payable:

Not applicable.

(d) Books closure date:

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared or recommended for Q2 2016.

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

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

There were no IPT of S\$100,000 and above for 6M 2016.

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	1,200 ⁽¹⁾	1,200	-
Expansion of the Group’s operations via acquisitions, joint ventures and investments	4,723 ⁽¹⁾	4,723	-
Establishment of overseas offices	500	500	-
General working capital	4,414 ⁽¹⁾	4,414 ⁽²⁾	-
IPO expenditure	2,163	2,163	-
Total	13,000	13,000	-

Notes:

- (1) Please refer to the Company’s announcements dated 9 January 2015, 11 May 2015 and 26 February 2016 on the previous reallocations of net IPO proceeds which were made. In addition, the Company has reallocated (i) S\$0.5 million of the net proceeds initially allocated for the investment into films produced by the Group or third parties; and (ii) US\$0.077 million of the net proceeds initially allocated for expansion of the Group’s operations via acquisitions, joint ventures and investments, for its working capital purposes as the Company (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\$4,077,336 has been utilised for payment to suppliers (S\$1,077,082), payment of salary and director's fees (S\$1,657,845), professional service fees (S\$680,755) and others (S\$661,654).

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company confirms that undertakings have been procured from the Board of Directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1).

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

The Board of Directors of the Company confirms that, to the best of their knowledge, nothing has come to their attention which may render the unaudited financial results for the 3 months and 6 months financial periods ended 30 June 2016 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Charles Choi Spackman

Executive Chairman

Date: 11 August 2016

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"), for compliance with the Singapore Exchange Securities Trading Limited (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.