

# spackmanentertainmentgroup

## NEWS RELEASE

### SPACKMAN ENTERTAINMENT GROUP RECORDS HIGHEST EVER QUARTERLY NET PROFIT SINCE ITS IPO, TURNS AROUND TO PROFITABILITY IN 1Q FY2017

- *Profitability came on the back of recognition of share of profit for acting as producer of MASTER*
- *Recorded profit before tax of US\$5.5 million and net profit of US\$4.7 million for 1Q FY2017 as compared to loss before tax of US\$0.8 million and net loss of US\$0.9 million for 1Q FY2016 respectively*
- *Revenue increased 108.2% year-on-year to US\$8.0 million for 1Q FY2017*
- *Gain of US\$3.0 million from the disposal of 497,250 SMGL shares (at US\$6.8 per SMGL share) as part of the consideration for the acquisition of Frame Pictures*
- *With the recent acquisition of Frame Pictures, the Group to continue to pursue similar strategic acquisitions to develop a more diversified and consistent revenue stream*

**Singapore, 15 May 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 its highest ever quarterly net profit since its initial public offering, returning to path of profitability with a profit before tax of US\$5.5 million and a net profit of US\$4.7 million for its first quarter ended 31 March 2017 (“**1Q FY2017**”) as compared to a loss before tax of US\$0.8 million and a net loss of US\$0.9 million for the same period last year respectively.

Revenue increased 108.2% year-on-year to US\$8.0 million for 1Q FY2017 mainly as a result of an increase of US\$2.1 million from production of films and an increase of US\$2.0 million from distribution of films and others. The increase in revenue from production of films was primarily attributable to the Group’s upcoming film *GOLDEN SLUMBER*, which is produced by the Company’s wholly-owned subsidiary Zip Cinema Co., Ltd. (“**ZIP Cinema**”), and which generated US\$3.1 million of revenue. 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\$3.5 million for 1Q FY2017. *MASTER*, which was also produced by ZIP Cinema, recorded over 7.1 million tickets and grossed over KRW 58.0 billion (USD 50.4 million) in South Korea.

Other income went up by 54.0% year-on-year to US\$3.2 million in 1Q FY2017 mainly due to the gain of US\$3.0 million on partial disposal of the Company’s 26.2% owned associate company, Spackman Media Group Limited (“**SMGL**”), in relation to the acquisition of 100% equity interest in Frame Pictures Co., Ltd. (“**Frame**

**Pictures**) where 497,250 shares of SMGL formed part of the purchase consideration, 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\$3.36 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.

Other expenses decreased 96.3% year-on-year to US\$0.03 million in 1Q FY2017 mainly because there was an absence of expenses incurred in relation to the profit on film distributable to external investors in 1Q FY2017.

Mr. Charles Spackman, Executive Chairman & Chief Executive Officer of Spackman Entertainment Group, said, "The first quarter of 2017 is a significant turning point for the Group. After having shed our loss-making divisions last year, we are gaining momentum towards a more consistent and stable operating platform.

Overall, Spackman Entertainment Group is in the best financial position that it has ever been since its establishment. From this point onwards, we plan to move aggressively in deploying and investing our capital to sustain this current momentum and pursue further avenues of growth."

## **Outlook**

According to the Korean Film Council, the South Korean film market saw an 8.3% increase in gross box office revenue to KRW 422.5 million (USD 373.9 million) and a 5.7% year-on-year increase in admissions to 52.3 million.<sup>1</sup>

The Group's upcoming manhunt thriller movie, *GOLDEN SLUMBER*, starring Gang Dong-won and Han Hyo-joo, commenced filming and is tentatively scheduled to be released towards the end of FY2017. The estimated total production budget (including prints and advertising costs) for *GOLDEN SLUMBER* is set approximately at KRW 10 billion (US\$8.7 million).

On 20 March 2017, the Company completed the issuance of 26.1 million new ordinary shares of the Company in relation to the share and sale purchase agreement between the Company and certain shareholders of the Company's associated company, Spackman Media Group Limited ("**SMGL**") and issuance of 38.1 million new ordinary shares of the Company in relation to its placement announcement dated 2 March 2017 (the "**Placement**"). The Company intends to use the net proceeds of S\$5.9 million from the Placement for potential business investments and acquisitions that will deliver sustainable value to its shareholders as well as for its working capital requirements.

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

On 31 March 2017, the Group completed the acquisition of 100.0% equity interest in Frame Pictures. Frame Pictures is a leader in the movie/drama equipment leasing business in Korea and 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 acquisition of Frame Pictures will allow the Group to own a profitable business which is in line with the Group's strategy of making acquisitions of companies involved in the entertainment industry that can financially and strategically complement the Group's core operation. It will also help the Group create a more diversified and consistent revenue stream and be less reliant on the box office performance of its movies. In light of this recent acquisition, the Group shall continue to aggressively pursue similar strategic acquisitions to develop a more diversified and consistent revenue stream.

Looking ahead, the Group will continue to seek opportunities to closely partner with SMGL in creating and participating in top-tier content projects and make strategic investments in growth businesses that have the potential to collaborate with SMGL's artists and our content projects.

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### **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 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 26.17% 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., Kook Entertainment Co., Ltd., and UL 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., Kook Entertainment Co., Ltd., and UL 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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